



## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

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The following English translation is provided by the Company for information purposes only, based on the original and official document in Spanish available on the Company's website ([www.caf.net](http://www.caf.net)). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.

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### ISSUER'S PARTICULARS

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End date of reference financial year: [ 31/12/2021 ]

Tax Identification Number (CIF): [ A20001020 ]

Company name:

[ **CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A** ]

Registered office:

[ JOSE MIGUEL ITURRIOZ, 26 20200 BEASAIN (GUIPUZCOA) ]

**A. OWNERSHIP STRUCTURE**

**A.1.** Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:

Yes

No

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
04/08/1999	10,318,505.75	34,280,750	

Indicate whether there are different classes of shares with different associated rights:

Yes

No

**A.2.** List the company's significant direct and indirect shareholders at year end, including directors who have a significant interest:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, S.A.	24.20	0.00	0.00	0.00	24.20
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, S.L.	0.00	5.02	0.00	0.00	5.02
DANIEL BRAVO ANDREU	0.00	5.00	0.00	0.00	5.00
SANTANDER ASSET MANAGEMENT, S.A. SGIC	0.00	3.07	0.00	0.00	3.07

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, S.A.	14.06	0.00	14.06
INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	5.02	0.00	5.02
DANIEL BRAVO ANDREU	DANIMAR 1990, S.L.	5.00	0.00	5.00
SANTANDER ASSET MANAGEMENT, S.A. SGIC	GROUP COMPANIES	3.07	0.00	3.07

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements

On 9 March 2021, Invesco LTD dropped below the threshold of 1% of share capital.

On 28 June 2021, Norges Bank exceeded the threshold of 3% of the share capital by adding the percentage of voting rights attributed to shares and the percentage of voting rights through financial instruments.

On 6 July 2021, Norges Bank exceeded the threshold of 3% of share capital in the percentage of voting rights attributed to shares.

On 13 July 2021, Norges Bank fell below the threshold of 3% of share capital in the percentage of voting rights attributed to shares.

On 15 July 2021, Norges Bank exceeded the threshold of 3% of share capital in the percentage of voting rights attributed to shares.

On 20 September 2021, Norges Bank fell below the threshold of 3% of share capital in the percentage of voting rights attributed to shares, and the sum of the percentage of voting rights attributed to shares and the percentage of voting rights through financial instruments.

On 21 September 2021, Santander Asset Management, S.A. SGIC exceeded the threshold of 3% of share capital.

A.3. Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

Name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ANE AGIRRE ROMARATE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total percentage of voting rights held by the Board of Directors						0.00	

As the system only allows for two decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 72,564,821M JUAN JOSÉ ARRIETA SUPUDE 0,003% and 30,605,037 M ANE AGIRRE ROMARATE 0,002%. TOTAL 0,005%.

Breakdown of the indirect holding:

Name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights through financial instruments
No data					

List the total percentage of voting rights represented on the board:

Total percentage of voting rights represented on the Board of Directors	19.09
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The total percentage of voting rights represented on the Board of Directors is the sum of:  
- The total voting rights held by the members of the Board of Directors (0,005%) and  
- The stake held by significant shareholders Kutxabank, S.A. (14.06%) and Indumenta Pueri, S.L. (5.02%), who, although they are not members of the Board, sought the appointment of proprietary directors Idoia Zenarrutabeitia Beldarrain and Manuel Domínguez de la Maza, respectively.

- A.4.** If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

- A.5.** If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
CARTERA SOCIAL, S.A.	Contractual	Workers' share instrument in CAF's share capital

- A.6.** Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	KUTXABANK, S.A.	Ms Zenarrutzabeitia is a member of the Board of Trustees of several voluntary social welfare entities (E.P.S.V. ZAINZA E.P.S.V. HAZIA E.P.S.V GAUZATU) of BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	Mr Domínguez de la Maza is a shareholder and board member of

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
			INDUMENTA PUERI, S.L. and also the joint and several attorney-in-fact of that company and of GLOBAL PORTFOLIO

**A.7.** Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes  
 No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes  
 No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

**A.8.** Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes  
 No

**A.9.** Complete the following table with details of the company's treasury shares: At the

close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0,00

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

**A.10.** Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The CAF General Meeting held on 13 June 2020 resolved to authorise the derivative acquisition of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for five years and under the following terms: a) Acquisitions may be executed by CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. directly, or indirectly through its affiliates; b) Acquisitions shall be performed through purchase or exchange transactions or any others permitted by law; c) Acquisitions shall be done, at each given time, up to the maximum amount provided by law; d) Acquisitions shall be done at market price; e) Acquisitions performed within the scope of this authorisation shall fulfil the legal requirements in force; f) This authorisation shall be valid for a five-year term.

Furthermore, the General Meeting of Shareholders, at its meeting of 5 June 2021, authorised the Board of Directors, in accordance with Article 297.1.b) of the Capital Companies Act, to carry out capital increases at the time and in the amount it decides, over a period of five years and up to half of the share capital at the time of authorisation, on one or more occasions, by issuing new shares. Likewise, the General Meeting delegated to the Board of Directors, under the terms of Article 506 of the Capital Companies Act, authority to disapply, in relation to any capital increases it may agree, the pre-emptive subscription right subject to a maximum amount of 20 per cent of the share capital at the time of authorisation.

**A.11.** Estimated floating capital:

	%
Estimated float	48.66

**A.12.** Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes  
 No

**A.13.** Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

Yes  
 No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

**A.14.** Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes  
 No

If so, indicate each share class and the rights and obligations conferred.

## **B. GENERAL SHAREHOLDERS' MEETING**

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**B.1.** Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

Yes  
 No

**B.2.** Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes  
 No

**B.3.** Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

The regime for modifying the Company Bylaws does not present differences with respect to the provisions of Articles 285 et seq of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July, which require the approval of the Annual General Meeting with the majorities indicated in Articles 194 and 201 of that Law.

Therefore, section eight of Article 13 of the Bylaws empowers the Annual General Meeting to resolve upon the modification thereof. Article 20 of those Bylaws provides that, in order to adopt resolutions on the issuance of convertible debentures or of bonds that give bondholders a share in company profits, the increase or reduction of capital, the suppression or limitation of the pre-emption rights of new shares, the transformation, merger or spin-off of the Company or the transfer en bloc of assets and liabilities, the transfer of the registered address abroad and, in general, any modification of the Bylaws, it will be necessary, on first call, that the shareholders in attendance, in person or by proxy, account for at least 50% of the share capital with voting rights. On second call, the attendance of shareholders accounting for 25% of the share capital will be sufficient. On second call, when the shareholders in attendance account for 25% or more of the share capital with voting rights but less than 50%, the aforementioned resolutions may be adopted validly with the vote of two thirds of the capital present either in person or by proxy at the General Meeting. Also, in compliance with the provisions of Article 286 of the LSC, when the annual or extraordinary General Meeting has to resolve on the modification of the Bylaws, the notice of call must, with due clarity, express the matters to be modified and the rights of every shareholder to examine, at the registered office, the full text of the proposed modification and the report thereon, as well as to request that these documents be delivered or sent to them (Article 16 of the Bylaws).

In accordance with Article 21 of the Bylaws, shareholders that hold one thousand or more Company shares may attend the Annual General Meeting in person or remotely and take part in its deliberations, with the right to speak and vote. Those holding a smaller number of shares may group together

and grant their proxy to another shareholder in order to reach one thousand or more shares. Any shareholder entitled to attend may be represented at the Annual General Meeting by another person, even if that person is not a shareholder.

**B.4. Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:**

Date of General Meeting	Attendance data				Total
	% physical presence	% present by proxy	% distance voting Electronic voting	Other	
15/06/2019	37.52	34.54	1.64	1.66	75.36
Of which, free float:	2.29	26.54	1.64	1.66	32.13
13/06/2020	24.63	47.14	5.62	0.00	77.39
Of which, free float:	0.00	31.39	0.62	0.00	32.01
05/06/2021	40.80	28.23	7.00	2.14	78.17
Of which, free float:	0.00	25.62	2.00	2.14	29.76

**B.5. Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.**

Yes  
 No

**B.6. Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:**

Yes  
 No

Number of shares required to attend General Meetings	1,000
Number of shares required for voting remotely	1

**B.7. Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.**

Yes  
 No

**B.8. Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.**

The corporate information is available under "Shareholders and investors" of the corporate website (www.caf.net). The complete path is <https://www.caf.net/en/accionistas-inversores/index.php>

This link includes, in a structured format, the information required by Royal Legislative Decree 1/2010, of 2 July, which approved the Consolidated Spanish Capital Companies Act, the Consolidated Securities Market Act, approved by Royal Decree-Law 4/2015, of 23 October, the Circular 3/2015, of 23 June, from the National Securities Market Commission, on technical and legal specifications and information to be contained in the websites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current Bylaws, specifically subsection “Corporate Governance” contains the most important information on this matter (General Shareholders’ Meeting and Board of Directors Regulations; the Company’s Internal Code of Conduct within the sphere of Securities Markets; membership of the Board of Directors and its committees and publicly-available information on the directors; Annual Corporate Governance Report, Annual Report on Directors’ Compensation, the Company’s Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor’s Independence, Reports on the Modern Slavery Act, Sustainability Report and Whistleblowing Channel).

In addition, the subsection on “General Shareholders’ Meeting” contains all the information that the Company makes available to shareholders ahead of the General Shareholders’ Meeting, including the announcement of the agenda and call, the motions to be voted on, the documents to be laid before the General Shareholders’ Meeting for approval, the procedures and channels in place for exercising the rights of information, attendance, granting of proxies and remote attendance, requesting further information and clarifications and obtaining information after the General Meeting has finished on the business discussed at the meeting and the resolutions passed. Information is likewise provided on meeting announcements, motions, available documentation and resolutions adopted at General Meetings held in previous years.

In addition, in compliance with article 539.2 of the Companies Law, simultaneously with the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to enable communication among shareholders regarding the call and the meeting itself.

The corporate website provides further information on these matters in both Spanish and English.

**C. STRUCTURE OF THE COMPANY'S ADMINISTRATION**

**C.1 Board of Directors**

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors set by the general meeting	11

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ANDRÉS ARIZKORRETA GARCÍA		Other external	CHAIRMAN	26/12/1991	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JAVIER MARTÍNEZ OJINAGA		Executive	DIRECTOR	13/06/2015	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JUAN JOSÉ ARRIETA SUDUPE		Other external	DIRECTOR	07/06/2008	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR LUIS MIGUEL ARCONADA ECHARRI		Other external	DIRECTOR	29/01/1992	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS ANE AGIRRE ROMARATE		Independent	DIRECTOR	19/12/2017	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name of director	Natural person representative	Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	05/06/2021	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR IGNACIO CAMARERO GARCÍA		Independent	DIRECTOR	15/06/2019	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS MARTA BAZTARRICA LIZARBE		Executive	SECRETARY AND DIRECTOR	22/01/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS IDOIA ZENARRUTZABETIA BELDARRAIN		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR MANUEL DOMÍNGUEZ DE LA MAZA		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Total number of directors	11
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
No data					

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of nonexecutive directors, explanation or opinion of the director dismissed by the general meeting.

There were no resignations from the Board of Directors in the reporting period. However, there were certain changes in the distribution of positions on the board in 2021, as described in the following sections.

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the	Profile
MR JAVIER MARTÍNEZ OJINAGA	Executive Director	Lawyer and Economist from the University of Deusto, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management. He is Chairman of CIC Nanogune and a member of the Governing Council of Asociación para el Progreso de la Dirección (APD). He was appointed Chief Executive Officer, replacing Andrés Arizkorreta, on 29 April 2021, effective 1 September 2021.
MS MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Comillas Pontifical University (ICADE E-3) and an Executive Master Degree in Business Administration from ICADE business school. She is Group's Chief Legal Officer and Compliance Director and is also secretary to the Board of Directors of CAF and its Committees.

Total number of executive directors	2
Percentage of Board	18.18

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	Degree in Law from the University of Deusto. She has held, among others, the positions of Deputy in the Basque Parliament and Vicelehendakari, as well as Vice-President and Councilor of Finance and Public Administration of the Basque Government. She has been Director of the National Energy Commission and the National Commission on Markets and Competition. She is currently a member of the Board of Trustees of various Voluntary Social Welfare Entities of the BBK.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	Holds a degree in Economics from Universidad de Málaga and holds an MBA from IESE as well as a Master's Degree in Leadership from Columbia University, among other post-graduate studies. Most of his professional career has been spent in Mayoral Moda Infantil, S.A., where he has held the position of General Manager since 2007.

Total number of proprietary directors	2
Percentage of Board	18.18

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
MS CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from the Instituto de Empresa. Most of her professional career has been spent in the financial industry, occupying various management positions. She is chair of CAF's Audit Committee. She is also chairwoman and director of the Audit Committee of eDreams ODIGEO and chair of the Investment Committee of Crisae Private Debt SLU. (debt fund held by Banco Sabadell) and associate lecturer at IE Business School.
MS ANE AGIRRE ROMARATE	Degree in Business and Economics and Master in Advanced Management from Deusto University. She has vast experience in the area of analysis and strategic assessment of human resources. She is the chairwoman of CAF's Nomination and Remuneration Committee. She is a director of the consultancy firm Vesper Solutions, S.L. She is a member of the Governing Council of the University of Deusto, as well as member of the Board of Trustees and of the Management Board of the Basque Group of the Club of Rome (Grupo Vasco del Club De Roma) and of Novia Salcedo Foundation.
MR IGNACIO CAMARERO GARCÍA	Graduate in Physics from Universidad de Valladolid. During his professional career he has worked in the Telecommunications and Information Technology industries, and held various senior executive positions. He is a member of CAF's Audit Committee.
MR JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors, where he has held various senior executive positions. He is a member of CAF's Nomination and Remuneration Committee.

Total number of independent directors	4
Percentage of Board	36.36

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of the relationship	Reasoned statement
No data		

**OTHER EXTERNAL DIRECTORS**

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name of director	Reasons	Company, director or shareholder to whom the director is related	Profile
MR ANDRÉS ARIZKORRETA GARCÍA	Mr Andrés Arizkorreta held the position of Chief Executive Officer of the Company until 1 September 2021, and so he cannot be classified as an independent director, in accordance with Article 529 dudodecies of the LSC.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	Holds a degree in Economics and Business Administration from the University of Deusto and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. From 2006 until 1 September 2021 he was the Company's Chief Executive Officer. From that date forward, he is non-executive Chairman of the Board of Directors. He is also Vice President of the Circle of Basque Businessmen (Círculo de Empresarios Vascos).
MR LUIS MIGUEL ARCONADA ECHARRI	Mr Luis Miguel Arconada Echarri has been a director for an uninterrupted period of more than 12 years. Therefore, in accordance with Article 529 dudodecies of the LSC, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	Mr. Luis Arconada has broad experience and knowledge in the corporate and business sectors. He is also well renowned in various social and economic circles, due to his success in the sports world. He is a member of the Company's Nomination and Remuneration Committee.
MR JUAN JOSÉ ARRIETA SUDUPE	Mr Juan José Arrieta Sudupe has been a director for an uninterrupted period of more than 12 years. Therefore, in accordance with Article 529 dudodecies of the LSC, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	He holds a doctorate in Economics and Business Studies from Universidad de Deusto. He has a broad experience in managing of financial institutions and prestigious business schools. He is a member of the Strategic Council of the Technology Centre attached to Universidad de Navarra. He is a member of the Company's Audit Committee.

Total number of other external directors	3
Percentage of Board	27.27

Indicate any changes that have occurred during the period in each director's category:

Name of director	Date of change	Previous Status	Current status
MR ANDRÉS ARIZKORRETA GARCÍA	01/09/2021	Executive	Other external
MR JAVIER MARTÍNEZ OJINAGA	01/09/2021	Independent	Executive

Changes in the category of the directors named above have occurred as part of the process of separating the positions of Chairman and Chief Executive Officer, as agreed by the Board of Directors on 29 April 2021, when, on the recommendation of the Nomination and Remuneration Committee, the Board unanimously passed the following resolutions: (i) to appoint Javier Martínez Ojinaga as Chief Executive Officer, effective 1 September 2021; and (ii) to remove Andrés Arizkorreta García from the position of Chief Executive Officer and from any other executive functions at the Company and within its Group, effective 1 September 2021, and to confirm that he will continue to serve as non-executive Chairman of the Company from that date forward.

As a consequence of the foregoing and on the same date, the Board of Directors, again upon the recommendation of the Nomination and Remuneration Committee, unanimously approved the replacement of Mr Martínez Ojinaga in his position as lead independent director by Ane Agirre Romarate, during the period prior to the effective date of separation of the positions of Chairman and Chief Executive Officer (1 September 2021), from which date forward the existence of a lead independent director is no longer a legal requirement. All the foregoing in accordance with Article 529 septies of the LSC.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of directors for each category			
	2021	2020	2019	2018	2021	2020	2019	2018
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1	1			50.00	50.00	0.00	0.00
Independent	2	2	2	2	50.00	40.00	33.33	40.00
Other External					0.00	0.00	0.00	0.00
Total	4	4	3	3	36.36	36.36	30.00	30.00

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the gender diversity policy that they have put in place.

- Yes  
 No  
 Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved

In 2018 the Board of Directors approved the Diversity and Director Selection Policy, replacing the Director Selection Policy, which had been in effect since 2015.

The 2018 policy was subsequently amended on 17 December 2020, on the recommendation of the Nomination and Remuneration Committee, so as to bring it in line with the provisions of Technical Guide 1/2019 on appointments and remuneration committees, and with the new developments introduced following the partial reform of the Good Governance Code of listed companies carried out in June of the same year.

CAF's current Director Diversity and Selection Policy (the "Policy"), which is specific and verifiable in nature, is there to ensure that any proposals for the appointment and re-election of directors are based on a prior needs assessment of the Board of Directors, as well as to enrich the diversity of knowledge, experience, age and gender from among the Board membership, by following criteria that ensures the existence of adequate diversity among its members as well as the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.

The Board of Directors and its committees should have a balanced composition that enriches decision-making and contributes a diversity of points of view, with full compliance with the conditions as to suitability, both individually and jointly, of the Board and its Committees.

In this respect, criteria aimed at ensuring diversity on the Board of Directors serve as an important element in analysing the needs of the Board of Directors when it comes to the selection of directors. This is achieved by using the Board's competencies matrix, which the Nomination and Remuneration Committee regularly updates.

Specifically, diversity criteria may restrict the selection of board members when the assurance of a diverse membership is required so as to benefit the Company by offering a broad range of experiences and perspectives that add value in the decision-making processes of the Board of Directors.

Notably, the Policy sets out diversity criteria in relation to the following categories:

**Training and work experience:**

Efforts will be made to ensure that the candidates have the necessary skills and proficiencies that either complementary those of the other members of the Board of Directors or that substitute those of any directors that have been replaced.

In this respect, the professional expertise of a candidate will be assessed, either because of his or her academic background or professional experience, or based on a combination of both, allowing for a diversity of profiles to be present on the Board of Directors so as to offer differing perspectives to assist with multidisciplinary and constructive discussions required to make a decision and, ultimately, to enhance the performance of the Board as a whole.

As regards the composition of the committees, members will be appointed from among the directors, selecting in all cases the most appropriate profiles for each committee.

In particular, it will be ensured that the directors who form part of the Audit Committee have, as a whole, the requisite knowledge of accounting, auditing and risk management, both financial and non-financial, and of the business. Likewise, and wherever possible, the designation of members of the Nomination and Remuneration Committee should take into account their knowledge and experience in areas such as corporate governance, human resources, the selection of directors and executives, and the design of policies and remuneration plans, in line with the provisions of the regulations of each committee.

**Age:**

The merits of having directors of various ages shall be appraised, as this age difference may help to generate a variety of opinions and different approaches in debates regarding the issues that must be analysed and agreed upon by the Board of Directors.

**Disability:**

Disability will not be used as a bias that could implicate discrimination in the selection of Directors.

**Gender:**

In the process for selecting directors, gender diversity will be taken into account to ensure a balanced presence of men and women on the Board of Directors.

In this regard, the policy promotes the objective that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.

In 2021, the General Shareholders' Meeting resolved to re-elect an independent director for the bylaw-mandated term of four years, upon the recommendation of the Nomination and Remuneration Committee. This process complied rigorously with the provisions of CAF's Diversity and Director Selection Policy, as indeed confirmed by the Nomination and Remuneration Committee in its annual report verifying compliance with the policy in December 2021, as will be explained at greater length in section C.1.7 of this report.

The result of this re-election process, and of the appointments agreed in previous years, is a balanced and highly qualified Board of Directors with extensive experience, enriched with skills that are genuinely relevant to the company's future strategy and committed to the diversity objectives set out in the Policy.

**C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of women in executive positions:**

#### Explanation of measures

CAF's Nomination and Remuneration Committee ensures that when covering new vacancies, the selection processes being utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the expected profile among potential candidates and under the same conditions to balance the men and women representation. This objective is stipulated in point 5 of the current Company's Director Diversity and Selection Policy. Likewise, Article 3 of the Committee's Regulations establishes, as one of its duties, that of "Establishing a target level of representation of the gender with the lowest representation on the Board of Directors and issuing guidelines on how to achieve that target".

Meanwhile, the Diversity and Director Selection Policy expressly sets out to ensure that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.

This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors. Thus, from 2017 to 2020, CAF continuously met the target of achieving at least 30% of women on the Board, as set for 2020 in Recommendation no. 14 of the Code of Good Governance (CGG) of Listed Companies. Subsequently, in 2020, the number of female directors increased to four, and since then it has stood at 36.36% of the total number of directors; above the minimum of 30% of board members required by the CGG for 2021 and very close to the 40% that Recommendation 15 of the CGG defines as a target to be reached in 2022. Notably, both committees attached to the Board are chaired by women.

As regards senior executives, the Company maintains a clear commitment to equality objectives that promote the creation of mechanisms that facilitate the access of all available talent to managerial positions, irrespective of their gender. In this regard, it should be noted that the Group's Legal and Compliance Department is led by a woman who is an executive director and Secretary to the Board. Additionally, the Head of Internal Audit is a woman.

The Company is also seeking to include more women in the management committees of the Group's business units and at various subsidiaries, having made significant progress in recent years.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

#### Explanation of reasons

CAF promotes equality in the selection and promotion processes, and is advancing in the implementation of measures that ensure a balanced representation of women and men at the various levels within the organisation. In fact, as explained in the previous sections, the Company has been making progress in recent years in relation to the incorporation of women both in the Board of Directors and in managerial positions within the organisation.

As provided for in CAF's Code of Conduct, the Sustainability Policy and the Diversity and Director Selection Policy, the Company is committed to respecting diversity and the right to equal treatment between women and men.

To this end, the Group, under the leadership of the Human Resources Department, actively promotes the absence of all discrimination, direct or indirect, especially on grounds of gender, as well as equal opportunities, through internal policies and strategies.

In turn, the Collective Agreement of CAF, S.A. states its aim to encourage women's access to employment and supports the effective application of the principle of equality and absence of discrimination in working conditions between women and men.

Also, the existence of an Equality Committee in the Company should be noted, which is responsible for the implementation and monitoring of equality plans and, in particular, of annually supervising the equality indicators in the personnel selection and promotion processes.

In view of all of the above, the measures that have been implemented will foreseeably lead to a progressive increase in the number of women in executive positions at the Group in the coming years.

**C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.**

On 16 December 2021, the Nomination and Remuneration Committee issued its annual report on the verification of compliance with the Diversity and Director Selection Policy for the year.

In 2021, the committee ensured the proper application of the policy in the process that led to the re-election of independent director Julián Gracia Palacín, as agreed upon at the General Shareholders' Meeting of 5 June, concluding that the provisions thereof had been satisfactorily complied with both in relation to the selection process and in terms of the conditions that the candidates had to meet in terms of good standing, fitness for office, experience, training, qualification, dedication and commitment to the position of director.

More precisely, the report noted that the motion to re-elect the director was based on an analysis of the Board's actual needs, in accordance with the competencies matrix, in order to promote diversity and avoid any implicit bias that might lead to discrimination based on reasons of age, gender, disability, or any other personal attribute.

Therefore, both the Board and the committee were of the opinion that the candidate's continued presence as a director and as a member of the same Nomination and Remuneration Committee would help to effectively enhance the diversity and balance already existing in the composition of both bodies by consolidating a significant presence of independent directors and contributing extensive knowledge and experience in areas of value to the Company.

Following this re-election and appointments in previous years, the Board of Directors comprises 11 members, which is within the limit established in the Bylaws, the Board Regulations and in Recommendation 13 of the CGG.

Its composition is balanced and the training and experience of its members is diverse, all of them being highly qualified and possessing extensive professional experience. As a result, the body brings together various competencies that are relevant to the Company's future strategy. It also has a variety of ages and gender diversity, as well as a significant percentage of independent directors, in line with the best Corporate Governance practices.

**C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:**

Name or company name of shareholder	Reason
No data	

Detail any failure to address formal requests for Board representation from shareholders with ownership interests equal to or exceeding those of others at whose request proprietary directors were appointed. If so, explain the reasons why the request was not entertained:

- Yes
- No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors, including those relating to the option of issuing or repurchasing shares, to directors or board committees.

Name of director	Brief description
MR JAVIER MARTÍNEZ OJINAGA	Delegation of all Board powers, pursuant to law and the Company Bylaws save for those which the law stipulates that cannot be delegated.

C.1.10. Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name of director	Name of group member	Position	Does the director have executive powers?
MR JAVIER MARTÍNEZ OJINAGA	CAF ARGELIA EURL	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF CHILE S.A.	Chairman	NO
MR JAVIER MARTÍNEZ OJINAGA	CAF DEUTSCHLAND GmbH	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF FRANCE SAS	Chairman	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF INDIA PRIVATE LTD	Executive Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF NEW ZEALAND LIMITED	Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF RAIL AUSTRALIA PTY LTD	Executive Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF SISTEME FERROVIARE, S.R.L.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF INVESTMENT PROJECTS, S.A.U.	Director	YES
MR JAVIER MARTÍNEZ OJINAGA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF HUNGARY Korlátolt Felelősségű Társaság	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF NETHERLANDS B.V.	Sole Director	YES

Name of director	Name of group member	Position	Does the director have executive powers?
MR JAVIER MARTÍNEZ OJINAGA	CAF BELGIUM, S.P.R.L.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF NORWAY AS	Sole Director	YES
MS MARTA BAZTARRICA LIZARBE	CTRENS COMPANHIA DE MANUTENÇÃO, S.A.	Director	NO
MS MARTA BAZTARRICA LIZARBE	PROVETREN, S.A. de C.V.	Director	NO

C.1.11 List the positions of director, administrator or director, or their representative, held by the directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
MR ANDRÉS ARIZKORRETA GARCÍA	Circle of Basque Businessmen	VICE CHAIRMAN
MR JAVIER MARTÍNEZ OJINAGA	CIC NANOGUNE Cooperative Research Center	CHAIRMAN
MR JAVIER MARTÍNEZ OJINAGA	Association for the Advancement of Management (APD)	DIRECTOR
MS CARMEN ALLO PÉREZ	eDreams ODIGEO, S.A.	DIRECTOR
MR JUAN JOSÉ ARRIETA SUDUPE	Technological Center of the University of Navarra (CEIT)	DIRECTOR
MS ANE AGIRRE ROMARATE	Vesper Solutions, S.L.	SOLE DIRECTOR
MS ANE AGIRRE ROMARATE	University of Deusto	DIRECTOR
MS ANE AGIRRE ROMARATE	Novia Salcedo Foundation	DIRECTOR
MS ANE AGIRRE ROMARATE	Basque Group of the Club of Rome	DIRECTOR
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity ZAINZA	DIRECTOR
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity HAZIA	DIRECTOR
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity GAUZATU	DIRECTOR
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	DIRECTOR

Since the CNMV form does not allow users to select specific positions at foundations and other non-commercial entities, the following positions qualify as DIRECTORSHIPS:

- Mr Javier Martínez Ojinaga is a member of the Governing Council of Association for Management Progress (APD).
- Mr Juan José Arrieta Sudupe is a member of the Strategic Board of Technological Center of the University of Navarra (CEIT).
- Ms Ane Agirre Romarate is a member of the Governing Council of Deusto University. She is also a member of the Board of Trustees of Novia Salcedo Foundation and on the Board of Directors of the Basque Group of the Club of Rome.

- Ms Idoia Zenarrutzabeitia Beldarrain is a member of the Governing Council of voluntary social welfare entities EPSV ZAINZA, HAZIA and GAUZATU.

Once again, because the form does not allow users to select executive positions, please note that Manuel Domínguez de la Maza is General Manager of Mayoral Moda Infantil, S.A.U., in addition to holding the position indicated in the above table.

Of the positions identified in this section C.1.11, the following are remunerated:

Ms Carmen Allo Pérez: The positions indicated in the table above are remunerated.

Ms Ane Agirre Romarate: Her position of director at Vesper Solutions, S.L. is remunerated.

Mr Manuel Domínguez de la Maza: The positions indicated in this section are remunerated.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
MS CARMEN ALLO PÉREZ	• Chairwoman of the Investment Committee of Crisae Private Debt S.L.U. (debt fund held by Banco Sabadell) • Associate Lecturer at Instituto de Empresa
MR JUAN JOSÉ ARRIETA SUDUPE	Collaborator with Deusto Business School attached to Deusto University on various executive training programmes.

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes  
 No

**Explanation of the rules and identification of the document where it is regulated**

Article 23.2.b) of the Regulations of the Board of Directors states that no director shall belong simultaneously to more than four Boards of Directors in listed companies other than the Company or its group.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	7,232
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	5,130
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	200
Pension rights accumulated by former directors (thousands of euros)	

The figure shown in the box titled "Remuneration accruing in favour of the Board of Directors in the financial year" corresponds to the amount stated as total remuneration accrued to the Board of Directors of CAF in the table in section C.1(c) of the Annual Director Remuneration Report of CAF for financial year 2021. This amount includes the vesting of the contributions made in 2021 and prior years to long-term savings systems, amounting to a total of EUR 5,130 thousand.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name	Position
MR JOSU IMAZ MURGUIONDO	GENERAL CHIEF OF VEHICLES
MR IBON GARCÍA NEILL	DIRECTOR OF RAILWAY SERVICES
MR URTZI MONTALVO IBARGOYEN	DIRECTOR OF INTEGRAL SOLUTIONS AND SYSTEMS
MR AITOR GALARZA RODRÍGUEZ	CHIEF FINANCIAL AND STRATEGY OFFICER
JESUS MARÍA IBARBIA IRIONDO	DIRECTOR OF TECHNOLOGY
MR GORKA ZABALEGI AGINAGA	CHIEF HUMAN RESOURCES OFFICER
MS IRUNE LÓPEZ FERNÁNDEZ	INTERNAL AUDITOR

Number of women in executive positions	1
Women as a percentage of the total executive positions	14.30

Total remuneration of senior management (thousands of euros)	2,004
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C.1.15 Indicate whether the Board regulations were amended during the year:

Yes  
 No

Description of amendments
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On 16 December 2021, the Board of Directors unanimously approved a number of amendments to its Regulations. These amendments largely affected Articles 5, 8, 9, 13, 14, 15, 16, 21, 22, 24, 25, 27, 29, 30 and 31, in order to adapt them to the new provisions of the Capital Companies Act introduced by Law 5/2021 of 12 April, on the encouragement of long-term shareholder engagement at listed companies, in coordination with the amendment of the Company Bylaws and the Regulations of the General Meeting approved at the General Shareholders' Meeting held on 5 June 2021.

More precisely, the reform of the Regulations of the Board of Directors pursues the following objectives:

- (i) To incorporate the new basic approval and disclosure regime applicable to related-party transactions introduced by Law 5/2021 and, in particular, to amend Articles 5, 25 and 27 and include new Articles 29, 30 and 31.
- (ii) To eliminate the references to directors who are legal persons in accordance with article 529 bis 1) LSC, which states that the Board of Directors of listed companies shall be composed exclusively of natural persons; and, in particular, to amend articles 15, 24 and 27.
- (iii) To amend Article 8 to clarify the separation of functions between Chairman and Chief Executive Officer in accordance with Article 35 of the Company Bylaws.
- (iv) To amend Articles 8 and 9 to include the regime for the replacement of the Chairman and the Secretary in the event of their occasional absence.
- (v) To explicitly introduce into Article 14 the content of Recommendations 23 and 28 of the Code of Good Governance, which the Company had already been observing. The quorum and voting regime of Article 31 of the Company Bylaws is also amended in this article.
- (vi) To include other technical improvements in Articles 13 and 22.

The amended Regulations were filed at the Companies Registry of Guipúzcoa on 5 January 2022 and disclosed to the CNMV on 14 January 2022. It has also been published on CAF's corporate website (<https://www.caf.net/en/accionistas-inversores/gobierno-corporativo/reglamento-consejo-administracion.php>) since 14 January 2022.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors.

List the competent bodies, steps to follow and criteria applied in each procedure.

The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Annual Meeting or, in case of early vacancy, by the same Board through co-option. The director does not need to be a shareholder. The prohibitions

and incompatibilities prescribed by law (Art. 29 of the Company Bylaws) will apply. Should a vacancy occur during the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held. Should the vacancy be for the position of Chairman or Chief Executive Officer, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. Such appointments shall be fully effective until the first General Shareholders' Meeting (Article 33 of the Company Bylaws). Additionally, in exercising its powers to lay proposals before the General Meeting and of co-option in case of vacancies, the Board shall ensure the balance of Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors; the latter to represent at least one third of total Board membership (Art. 7 of the Regulations of the Board of Directors).

Additionally, Board Regulations establishes the following rules related to the appointment of directors: Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by virtue of its powers of co-option must be preceded by the corresponding proposal from the Nomination and Remuneration Committee in the case of independent directors, and from the Board for all other director categories. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposal for the appointment or re-election of any non-independent director shall also be preceded by a report from Nomination and Remunerations Committee. Should the Board decide not to follow any proposal submitted by the Nomination and Remuneration Committee, it must submit and minute its reasons for such decision. (Art. 15 of the Regulations of the Board of Directors).

Continued in section H.

**C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:**

#### Description of amendments

The Board of Directors, on the basis of previous reports issued by the committees, the results of which were positive, has positively evaluated the performance of the Board and its committees in 2021 and has verified that all Action Plans put in place for that year had been fulfilled.

Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for 2022, although they will not give rise to any significant change in the internal organisation or in the procedures applicable to its activities.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

#### Description of the evaluation process and evaluated areas

In accordance with Article 5.5 of the Board Regulations, the Board of Directors must perform an annual assessment of its functioning and that of its committees, and it must propose, on the basis of its findings, an action plan to correct any deficiencies found. To this end, the Board relies on the reports prepared by the committees relating to their own assessment and, in the case of the Nomination and Remuneration Committee, the report relating to the Board assessment.

In accordance with the rules established in the Spanish National Securities Market Commission (CNMV) Technical Guide 1/2019 on Nomination and Remuneration Committees published on 27 February, the following main areas were analysed in relation to 2021:

- a) Quality and efficiency of the functioning of the Board, including the degree to which the contributions of its members are effectively used.
- b) Size, composition and diversity of the Board and its committees.
- c) The performance of the Chairman of the Board and the Chief Executive of the Company.
- d) Performance and input of each director, paying special attention to those in charge of the various Board committees;
- e) Meeting frequency and duration.
- f) Contents of the agenda and adequacy of the time devoted to discussing the various topics according to their importance;
- g) Quality of the information received.
- h) Breadth and openness of the debates.
- i) If the decision-making process is dominated or strongly influenced by one member or a small group of members.

From the methodological standpoint, the indicators taken into consideration included, among others, the degree to which the Board and the committees comply with applicable legal and regulatory requirements, guidelines and best practices in the area of corporate governance and the internal regulatory compliance system, and the level of achievement of the plans and goals set for the year in question.

As a result of this process, the Board of Directors' assessment of its work and that of its members and Committees in 2021 was positive, in line with the favourable conclusions given in the preliminary reports prepared by the Committees, which the Board of Directors approved at the meeting held on 16 December 2021, together with the report of the independent external evaluator. Specifically, the Board verified that all the action plans put in place during the year were completed satisfactorily.

Based on these conclusions, the Board has drawn up various Action Plans to be undertaken in 2022, which will allow both the Board and its committees to make further progress towards the design of and compliance with the company's internal regulatory compliance system.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

Not applicable

C.1.19 Indicate the cases in which directors are obliged to resign.

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, ceased to exist and, in particular, proprietary directors must resign when the shareholder sells its entire shareholding or diminishes it to a level that requires a reduction of the number of proprietary directors. b) If they are found to be in a situation of incompatibility due to a conflict of interest or any other legal reason. c) Should they be processed for any alleged crime or when subject to disciplinary measures for a serious or very serious breach as determined by the supervising authorities. d) When seriously reprimanded by the Nomination and Remuneration Committee when not upholding director obligations. e) When involved in a situation that creates a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement.

The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Art. 18 of the Regulations of the Board of Directors).

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

Yes  
 No

If so, describe the differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

Yes  
 No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

- Yes  
 No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

- Yes  
 No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, provide a brief description of the rules.

Article 31 of the Company's Bylaws and article 14 of the Board of Directors' Regulations determine that directors shall make every effort to attend Board meetings and, when they cannot do so personally, may confer their representation to another director in writing addressed to the Board Chairman, with no restriction on the number of proxies that each director can hold for Board attendance, although a separate proxy must be granted for each meeting. Proxy may be granted in writing through any means and shall include the corresponding direction of the vote for each of the matters mentioned in the agenda.

These same rules also insist that non-executive directors may only confer their proxy on a fellow non-executive director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year.

Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	9
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
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Indicate how many meetings of the various Board committees were held during the year:

Number of meetings held by the AUDIT COMMITTEE	10
Number of Meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE	5

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in situ of at least 80% of directors	9
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Attendance in person as a % of total votes during the year	98.98
Number of meetings attended in person, or by proxies granted with specific instructions, by all the directors	9
% of votes cast by attendees or proxies granted with specific instructions, as % of the total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes  
 No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR JAVIER MARTÍNEZ OJINAGA	Executive Director
MR AITOR GALARZA RODRÍGUEZ	Chief Financial and Strategy Officer

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Board of Directors will submit to the General Meeting the financial statements prepared in accordance with accounting legislation. In the event that the auditor includes any qualification, the Chair of the Audit Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board (Article 37 of the Board Regulations).

To this end, the separate and consolidated financial statements are subject to prior review by the Company's Audit Committee, which is assigned, inter alia, the responsibility of supervising and evaluating the preparation, presentation and completeness of the financial and non-financial information on the Company and, where appropriate, the Group, checking compliance with legal provisions, the appropriate definition of the scope of consolidation and the correct application of accounting standards, and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness (Article 3 of the Regulations of the Audit Committee). It is also the responsibility of the Audit Committee to regularly collect information from the auditors on the auditing process and in particular on any discrepancies that may arise between the auditors and the Company's management. When the audit has been completed, the Committee shall review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports. (Article 13 of the Audit Committee Regulations).

Financial statements for the year 2020 as well as previous years were approved by the Board of Directors without qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes  
 No

If the secretary is not a director, complete the following table:

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Mechanisms to preserve the independence of external auditors:

In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to bylaws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence (Article 37 bis of the Company Bylaws).

Pursuant to the foregoing, the Audit Committee has its own Regulations governing its nature, composition, functions, terms of reference and powers. Pursuant to such Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency: (i) submitting, to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of the Company's external auditor, being responsible also for the selection process, pursuant to Article 16, paragraphs 2, 3, 5 and 17.5 of Regulation (EU) 537/2014 of 16 April, as well as his or her terms of employment, and regularly collecting information about the audit plan and its execution while also ensuring the external auditor's independence when carrying out its duties; (ii) establishing the appropriate relationships with the external auditor to receive information on those matters that may threaten or compromise its independence, for scrutiny by the Commission, and any other matters related to the process of auditing the accounts and, as the case may be, the authorisation of services other than those prohibited, on the terms set out in Articles 5.4 and 6. 2.b) of Regulation (EU) No. 537/2014, of 16 April, and in the provisions of Title I, Chapter IV, section 3 of Spanish Law 22/2015 of 20 July, on account auditing, in relation to auditor independence, as well as any other communications provided for in applicable legislation on auditing of accounts and in auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as detailed information and a breakdown for any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. (iii) issuing, prior to the issuance of the audit report, an annual report stating its opinion on whether the independence of the account auditors or audit firms has been compromised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the foregoing point, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. In compliance with recommendation no. 6 CBG, the Company posts the report of the Audit Committee on the independence of the external auditor on its corporate website in due course ahead of the date of the AGM; (iv) ensuring that the remuneration of the external auditor for their work does not compromise their quality or independence, and also setting an indicative limit on the fees that the auditor may receive annually for non-audit services; (v) ensuring that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks to which the Company is exposed; (vi) ensuring that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence; (vii) investigating the circumstances giving rise to the resignation of any external auditor should this situation arise; (viii) supervising that the Company reports any change of auditors through the CNMV, with an accompanying statement of any disagreements arising with the outgoing auditors and the reasons behind them; (ix) carrying out a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the completeness of the financial information. (Art. 3 of the Audit Committee Regulations). As for relations with the auditors, the same Regulation of the Audit Committee in article 13 determines that (i) any communications between the committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures; (ii) any communication with the auditor must be planned for in a schedule of annual meetings, where most of these are not to be attended by the Company's management; and (iii) the Audit Committee shall regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the Company's management.

When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.

Continued in section H.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes  
 No

Outgoing auditor	Incoming auditor
Deloitte, S.L.	Ernst & Young, S.L.

The Annual General Meeting of the Company, held on 13 June 2020, resolved to appoint Ernst & Young, S.L. as auditors of the separate annual accounts of Construcciones y Auxiliar de Ferrocarriles, S.A. and of the consolidated annual accounts of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries, i.e. for the separate and consolidated annual accounts, for the years ended 31 December 2021, 2022 and 2023.

If there were any disagreements with the outgoing auditor, explain their content:

- Yes  
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

- Yes  
 No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	58	29	87
Amount invoiced for non-audit services/Amount invoiced for audit work (in %)	36.16	4.72	11.32

All non-audit services provided to the CAF Group by the external auditor and its organisation in the reported financial year were duly approved by the Audit Committee within the framework of the procedure described above. More precisely:

- On 17 December 2020, the Audit Committee verified that the services included in the proposal for non-audit services for the year 2021: (i) were reasonable; (ii) were permitted under the Audit Law; and (iii) were below the maximum limit provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of Spanish Audit Law 22/2015, as well as the more restrictive limit set by the Committee itself in the interests of greater prudence, at 50% of the average audit fee for the last three years.

- Subsequently, on 16 December 2021, Internal Audit presented to the Audit Committee the comparison between the approved budget for 2021 and the actual fees incurred for these services, verifying that the estimated amounts had not been exceeded and that no unapproved services had been arranged.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

- Yes  
 No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	1	1
	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	2.27	4.76

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time:

- Yes  
 No

#### Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. There are at least eight meetings per year, with at least one meeting held every quarter, with sufficient time in between to prepare and scrutinise the necessary information. In addition, regular Board meetings must be announced at least five days in advance, although in practice this is done earlier. The call also includes the meeting's agenda, and the documents that must be previously reviewed by the directors in sufficient time ahead of the meeting. In any case the directors have the right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

- Yes  
 No

#### Explain the rules

As established in Article 18 of the Regulations of the Board of Directors, directors must tender their resignation from their position of director in certain situations, especially if they are prosecuted for an alleged criminal offence or when they are subject to disciplinary proceedings for serious or very serious misconduct by the supervisory authorities. Similarly, directors shall inform the Board and, where appropriate, resign, when situations arise that affect them, whether or not related to their own actions at the Company, that could damage the Company's good name and reputation. This will apply in particular if they become embroiled in any criminal proceedings in which they are under investigation or otherwise party to the proceedings.

The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES**

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

- Yes  
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no such agreements.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Executive Director	Termination benefit due to termination ordered by the Company for reasons not related with the Director

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders'
Body authorising the severance clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders'	√	

The content of these clauses are shown in the Annual Report on Director Remuneration, which is subject to advisory voting at the General Shareholders' Meeting.

**C.2. Committees of the Board of Directors**

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT COMMITTEE		
Name	Position	Category
MS CARMEN ALLO PÉREZ	CHAIRWOMAN	Independent

**AUDIT COMMITTEE**

Name	Position	Category
MR JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external
MR IGNACIO CAMARERO GARCÍA	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

On 29 April 2021, upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors unanimously agreed to remove Mr Javier Martínez Ojinaga from his position on the Audit Committee and to appoint Mr Ignacio Camarero García as an independent director in his stead. The market was informed of this change on the same date the resolution was passed, by means of an Inside Information disclosure sent to the CNMV, as well as through the corporate website.

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

**Organisation:**

The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of them shall be independent directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. As a whole, the members of the Committee, and especially its Chair, shall have the knowledge and experience in accounting, auditing and financial and non-financial risk management, as well as the relevant technical knowledge in relation to the business sector to which the Company belongs.

The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years but may be re-elected after stepping down for one year. The Board of Directors shall appoint a person to act as Secretary of the Committee, who need not be a director (Article 37 bis of the Company Bylaws and Art. 2 of the Audit Committee Regulations).

**Functions:**

Its main functions are: a) In relation to the General Meeting: i. Report to the General Shareholders' Meeting on any issues raised that fall within the Committee's remit and, in particular, on the outcome of the audit process, explaining how the audit has helped to ensure the integrity of the financial information and the role that the Committee has played in this process; ii. Ensure that the annual accounts that the Board of Directors presents to the General Shareholders' Meeting are drawn up in accordance with applicable accounting regulations. In the event that the auditor includes any qualification in its report, the Chair of the Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Likewise, a summary of such opinion shall be made available to the shareholders at the time of publication of the announcement of the General Meeting, together with the rest of the proposals, motions and reports of the Board. b) In relation to internal control systems: i. i. Supervise and evaluate the preparation, presentation and completeness of the financial and non-financial information on the Company and, where appropriate, the Group, checking compliance with legal provisions, the appropriate definition of the scope of consolidation and the correct application of accounting standards, and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness; ii. ii. Supervise the effectiveness of the Company's internal control and, in particular, of the system of Internal Control over Financial Reporting (ICFR); iii. Supervise and evaluate the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption. For the purposes of points i. to iii. above, the Committee can, where appropriate, present recommendations or proposals to the Board of Directors and its monitoring deadline; iv. Supervise the Company's internal risk control and risk management function; v. In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice; vi. Supervise compliance with the internal codes of conduct; vii. Establish and supervise a mechanism whereby staff and other people related to the Company and its Group, such as directors, shareholders, suppliers, contractors or subcontractors, can report irregularities of potential importance, including financial and accounting matters, or matters of any other nature related to the Company that may come to their attention within the Company or its Group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future; viii. Supervise application of the general policy relating to communication of economic and financial, non-financial and corporate information, and to communication with shareholders and investors, voting advisers and other stakeholders. The way in which the Company communicates and interacts with small and medium shareholders shall also be monitored; ix. Ensure that the financial information published on the Company's corporate website is constantly updated and effectively corresponds to the information approved or prepared by the Board of Directors and published on the website of the Spanish National Securities Market Commission (CNMV). If, following the review, the Committee is not satisfied in relation to any issue, it shall notify the Board of its opinion. c) In relation to internal audit: i. Supervise the Company's internal audit. For these purposes, the Committee may, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof; ii. Ensure the independence of the unit that discharges the internal audit function, which shall report to the chair of the Committee or the non-executive chair of the Board; iii. Propose the selection, appointment and dismissal of the head of the internal audit service;

Continued in section H.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Name of directors with experience	MS CARMEN ALLO PÉREZ / MR JUAN MR JOSÉ ARRIETA SUDUPE / MR IGNACIO CAMARERO GARCÍA
Date of appointment of the chairperson	08/10/2019

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MS ANE AGIRRE ROMARATE	CHAIRWOMAN	Independent
MR LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
MR JULIÁN GRACIA PALACÍN	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

**Organisation:**

In accordance with Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of the Committee Regulations, the Committee shall be composed of three non-executive Directors, two of which shall be independent. The members of the Committee are appointed ensuring that they have the knowledge, skills and experience appropriate to the functions they are called upon to discharge and, in particular, in areas such as corporate governance, human resources, selection of directors and managers, senior executive functions and design of remuneration policies and plans. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors.

The Board shall appoint its Secretary, who shall not necessarily hold the office of Director. Committee members will be appointed for a term of four years, and may be re-elected. They will cease to hold office as directors in accordance with a Board resolution, when they resign or for failing to comply with the Regulation requirements or the legal provisions. Renewal, re-election and removal shall correspond to the Board of Directors, as provided for in the law and the Company Bylaws. Also, Committee members who are re-elected as directors in accordance with a resolution of the Annual General Meeting will continue to discharge their functions on the Committee, without the need for new appointment, unless the Board of Directors resolves otherwise (Articles 5 and 6 of the Regulations of the Nomination and Remuneration Committee).

**Functions:**

Articles 37 ter of the Bylaws and 3 of the CNyR Regulations ascribe it the following powers and remit: In relation to appointments and remuneration: 1.- Evaluate the skills, knowledge and experience required of the Board of Directors. For this purpose, it will draw up a matrix with the powers of the Board that defines the functions, knowledge and skills required for candidates to cover each vacancy, periodically updated and shall evaluate the time and dedication required to perform their duties effectively. 2.- Set a representation goal for the gender with less representation on the Board of Directors and prepare recommendations on how to achieve that goal. 3.- Submit to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the Annual General Meeting's consideration, as well as the proposals made by the General Meeting for such directors' re-election or removal. 4.- Report the proposals for appointment of the other directors by co-option or submission to the decision of the Annual General Meeting, and propose the re-election or removal of these directors by the Annual General Meeting. 5.- Report the proposal for appointment of the Chairman of the Board of Directors, as well as of the Deputy Chairmen. 6.- Inform the Board of Directors of the appointment or removal of the Secretary. 7.- Submit to the Board of Directors the proposal for the appointment of a Coordinating Independent Director. 8. Report the proposals for the appointment and removal of senior executives and propose the basic terms and conditions of their contracts. 9. Examine and organise the plan for the succession of the Board of Directors' chairman and the Company's chief executive and, as applicable, submit proposals to the Board of Directors to ensure that the succession process takes place in an orderly and planned manner and periodically prepare and review a succession plan for such purpose. 10. Issue a report prior to the Board reprimanding a director for having infringed their obligations as a director. 11.- Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the company, that could harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as investigated parties. 12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists. 13. Make proposals and issue a report to the Board of Directors regarding the remuneration policy for directors and general managers or those who discharge senior executive functions reporting directly to the Board, executive committees or chief executives, and regarding individual remuneration and the other contractual conditions of the executive directors, ensuring compliance therewith. 14.- Review the remuneration policy applied to directors and senior executives on a regular basis, including share-based remuneration systems and their application, and ensure their individual remuneration is proportionate to what is paid to the other directors and senior executives of the Company.

Continued in section H.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2021		2020		2019		2018	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33
NOMINATION AND REMUNERATION COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT COMMITTEE: An up-to-date version of the Regulations is available on CAF's website ([www.caf.net](http://www.caf.net)), in the subsection on Corporate Governance, in the Shareholders and Investors section. The Audit Committee Regulations has been modified by a resolution of the Board of Directors, of 16 December 2021, with the principal objective of:

- Adapt the description of the Committee's functions and duties in relation to related-party transactions and non-financial information to the changes made to the revised text of the Capital Companies Act by Law 5/21 of 12 April, on the encouragement of long-term shareholder engagement at listed companies (Law 5/2021); and
- Include a minimum number of annual meetings, as provided for in the CNMV's Technical Guide 3/2017 for Audit Committees, now that Law 5/2001 has repealed the obligation to publish quarterly financial information.

Also in relation to this Committee, an annual report has been prepared on its activities in 2021, which will be published in accordance with Recommendation 6 of the CNMV's Unified Code of Good Governance for Publicly Listed Companies.

NOMINATION AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF website ([www.caf.net](http://www.caf.net)), in the subsection of Corporate Governance, under section Information for Shareholders and Investors.

The Regulations of the Nomination and Remuneration Committee were amended on 16 December 2021 in order to bring the description of the Committee's functions and duties in line with the changes made to the Capital Companies Act by Act 5/21, in relation to the remuneration system for directors, and to include certain technical improvements.

Also in relation to this Committee, an annual report has been prepared on its activities in 2021, which will be published in accordance with Recommendation 6 of the CNMV's Code of Good Governance for listed companies.

#### **D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

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**D.1.** Explain, where appropriate, the procedure and competent bodies relating to the approval of transactions with related and intragroup parties, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected director or shareholders. Detail the internal information and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of directors.

On 16 December 2021, the Board of Directors resolved to amend its Regulations in order to bring them in line with the new legal regime for related-party transactions at listed companies introduced by Law 5/2021 of 12 April, which had come into force on 3 July 2021. Pursuant to the provisions of its Regulations, the Board of Directors is responsible, on a non-delegable basis, for approving, subject to a prior report from the Audit Committee, transactions of the Company or companies in its group that qualify as related party transactions, unless such approval falls within the remit of the General Shareholders' Meeting and without prejudice to the possible delegation by the Board of such powers in the situations and under the terms prescribed by law and in the aforementioned Regulations. (Art. 5 of the Regulations of the Board of Directors).

Regarding the approval of related party transactions and the abstention obligations of the affected directors and shareholders, the Board Regulations explicitly state that the power to approve related party transactions whose amount or value is 10% or more of the Company's total assets according to the latest annual balance sheet approved by the Company shall be vested in the General Shareholders' Meeting. When the General Meeting is called to decide on a related party transaction, the shareholder concerned shall be deprived of the right to vote, except where the motion has been approved by the Board of Directors without the majority of independent directors voting against. However, where applicable, the rule of the reversal of the burden of proof provided for in the Capital Companies Act shall apply. The Board of Directors shall have the power to approve all other related party transactions and this power may not be delegated. In accordance with the Capital Companies Act, the affected director, or the director representing or related to the affected shareholder, must abstain from taking part in the deliberations and voting on the corresponding motion. However, directors who represent or are related to the parent company on the governing body of the subsidiary listed company should not abstain. However, if they do not abstain and if their vote was decisive in passing the resolution, the rule of reversal of the burden of proof shall apply on substantially the same terms as those provided for in the Capital Companies Act for the approval of related party transactions by the General Shareholders' Meeting. The approval of a related party transaction by the General Meeting or by the Board shall be subject to a prior report by the Audit Committee. In its report, the Committee must assess whether the transaction is fair and reasonable in the eyes of the Company and, if applicable, of the shareholders other than the related party, and give an account of the assumptions on which the assessment is based and the methods used. The directors concerned may not play any part in drawing up the report.

Notwithstanding the foregoing, the Board of Directors may delegate the approval of the following related party transactions:

- (a) transactions between companies forming part of the same group that are carried out in the ordinary course of business and on an arm's length basis;
- b) transactions entered into under contracts whose standard terms and conditions are applied en masse to a large number of customers; are at prices or rates established generally by the party acting as supplier of the goods or services in question; and whose amount does not exceed 0.5 per cent of the Company's revenues.

In such cases, the approval of any related party transactions that may have been delegated will not require a prior report from the Audit Committee. However, the Board of Directors shall establish an internal reporting and periodic control procedure for such transactions, in which the Audit Committee shall be involved and shall verify the fairness and transparency of such transactions and, as the case may be, compliance with the legal criteria applicable to the above exceptions (Article 29 Regulations of the Board of Directors).

In furtherance of the foregoing, on 16 December 2021 the Board of Directors, following a report from the Audit Committee, unanimously resolved to delegate, jointly and severally, to the Company's Chief Executive Officer and to the Chief Financial and Strategy Officer, the approval of the transactions described in sections a) and b) above.

Continued in section H.

**D.2.** Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against by the majority of the independent directors:

	Name or company name of the shareholder or any of its subsidiaries	% of Ownership	Name or company name of the company or entity within its group	Amount (thousand euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independent
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	14.06	Kutxabank, S.A.	69,434	(See Observations below)	Ms Idoia Zenarrutzabeitia, proprietary director representing Kutxabank, in the cases described in the Observations box.	NO

	Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of transaction and other information required for its evaluation
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	Contractual	Credit line and non-recourse factoring transactions, as well as registered advisor and placement bank contracts in commercial paper issuance programmes on the Spanish Alternative Fixed Income Market (MARF), as entered into by the Company with its significant shareholder Kutxabank, S.A., a subsidiary of Bilbao Bizkaia Kutxa Fundación Bancaria, and with Norbolsa Sociedad de Valores, S.A., belonging to the same group, during the 2021 financial year. All these contracts have been approved by the competent body, in each case, as per the breakdown provided in the Observations box.

The breakdown of the transactions included in the above table is as follows:

- Credit line granted to the CAF Group under market conditions, dated 30/06/2021 and maturing on 30/06/2022, for an amount of EUR 15,000 thousand. This transaction is part of the ordinary business of the shareholder and the CAF Group. It was approved by the Economic-Financial and Strategy Department.
- Credit line granted to the CAF Group under market conditions, dated 02/04/2021 and maturing on 02/04/2022, for an amount of EUR 20,000 thousand. This transaction is part of the ordinary business of the shareholder and the CAF Group. It was approved by the Economic-Financial and Strategy Department.
- Non-recourse factoring transactions with the CAF Group arranged under market conditions in June 2021, amounting to EUR 12,930 thousand. It was approved by the Economic-Financial and Strategy Department.
- Non-recourse factoring transactions with the CAF Group arranged under market conditions in December 2021, amounting to EUR 21,481 thousand. It was approved by the Company's Board of Directors, with the abstention of Ms Idoia Zenarrutzabeitia, proprietary director representing Kutxabank.

- Registered Advisor agreement for the MARF commercial paper issuance programme, dated 21 December 2021, entered into with Norbolsa, Sociedad de Valores, S.A., part of the Kutxabank group, in the amount of EUR 20 thousand. Transaction carried out at market conditions. This transaction is part of the shareholder's ordinary business activities. It was approved by the Company's Board of Directors, with the abstention of Ms Idoia Zenarrutabeitia, proprietary director representing Kutxabank.
  - Placement Bank Agreement for the MARF 2021 commercial paper programme, dated 21 December 2021, as entered into with Norbolsa, Sociedad de Valores, S.A. (a Kutxabank group company) and amounting to EUR 3 thousand. Transaction carried out under market conditions. This transaction is part of the shareholder's ordinary business activities. It was approved by the Company's Board of Directors, with the abstention of Ms Idoia Zenarrutabeitia, proprietary director representing Kutxabank.
- Continued in section H.

**D.3.** Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against by the majority of the independent directors:

	Name or company name of the administrators or managers or their controlled or jointly controlled entities	Name or company name of the company or entity within its group	Relationship	Amount (thousand euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independent directors
No data							

	Name or company name of the administrators or managers or their controlled or jointly controlled entities	Nature of the operation and other information necessary for its evaluation
No data		

**D.4.** Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Name of entity within the group	Brief description of the operation and other information necessary for its evaluation	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	6,141

The company Metro CAF Mauritius, Ltd., which is wholly and directly owned by the Company, has been incorporated in the Republic of Mauritius (which currently qualifies as a tax haven and is therefore reported in this section) solely in connection with a contract to supply trams to that country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.

**D.5.** Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

Name of entity within the group	Brief description of the operation and other information necessary for its evaluation	Amount (thousand euros)
No data		

The CAF Group holds non-controlling or jointly controlled interests in companies engaged in concessions for the operation of railway operating systems, the supply of fleet and subsequent maintenance, as well as the leasing of railway equipment. The CAF Group's operations with these companies involve the supply of fleet and the performance of turnkey projects, as well as the maintenance of railway equipment and material. It also has various financial loans in place that are consistent with the typical financing structure for these types of concession or leasing companies. These transactions are part of the ordinary business of the CAF Group and are carried out under normal market conditions. Information on CAF's stakes in these companies is included in Notes 2-f and 9-a to the 2021 consolidated financial statements and Note 10 to the consolidated financial statements includes information on the balances and transactions carried out in 2021 with these companies that were not eliminated as part of the consolidation process.

**D.6.** Give details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management, significant shareholders or other related parties.

Article 229 of the Capital Companies Law and Articles 24 and 25 of the Regulations of the Board of Directors require directors to communicate to the Board of Directors any conflict, whether direct or indirect, they may encounter between their interests and those of the Company. In addition, in case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Notes to the Financial Statements. The Board Regulations also regulate in detail the obligations of non-competition and avoidance of conflicts of interest, and establish a series of prohibited conducts for directors, as well as the consequences that might arise in the event of non-compliance. Article 18 of the Regulations of the Board of Directors expressly states that directors shall tender their resignation

to the Board and then effectively resign, if the Board sees fit, if they encounter a conflict of interest and breach the duties of disclosure and abstention or where they breach the non-compete obligation.

**D.7** Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

- Yes  
 No

## **E. RISK MANAGEMENT AND CONTROL SYSTEMS**

### **E.1 Explain the scope of the company's financial and non-financial risk management and control system, including tax risk.**

CAF Group's Comprehensive Risk Management System works in a continuous manner and is managed at corporate level for all businesses and geographic areas in which the Group operates.

The undertaking of the Board of Directors' of CAF in establishing the mechanisms and basic principles for adequate control and risk management is reflected in the General Risk Control and Management Policy, whose essential principles rest upon the previously mentioned Comprehensive Risk Control and Management System. This policy covers part of the Group's internal regulations and can be found in the corporate policies section at [www.caf.net](http://www.caf.net).

The General Risk Control and Management Policy covers all the companies comprising the CAF Group in all jurisdictions where CAF operates, being applicable to all Group employees. In those non-CAF Group companies, the Company seeks to ensure that the principles, guidelines and risk limits are consistent with those established through this General Risk Control and Management Policy.

The purpose of the aforementioned Policy is to establish the basic principles and guidelines for the control and management of risks of any nature affecting the Company and the CAF Group, through the identification of the main risks and by employing appropriate internal control and information systems, while conducting periodic monitoring on the performance of these mechanisms.

In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group carry a variety of risks and the Company defines basic guidelines and instructions to ensure standard operating procedures at each of the divisions so as to ensure an adequate level of internal control.

The Comprehensive Risk Control and Management System of the CAF Group is an interlinked system of rules, processes, procedures, controls and information systems where the global exposure is determined after assuming all the risks that the Company is exposed to and it takes into consideration their impacts on mitigation. This system allows the consolidation of the risk exposures of the business divisions and areas of the Group and their valuation, as well as the preparation of the corresponding management information for decision making on risk and expected profitability, which is subject to a continuous improvement process allowing it to be strengthened over time.

To respond to the need for global and homogeneous risk management, CAF Group assumes a corporate risk control and assessment model under the following basic assumptions:

- Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.
- Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and reporting of the various risks.
- Coordination and communication so that the procedures of the different businesses/projects are consistent with this General Risk Control and Management Policy and the Comprehensive Risk Control and Management System in place within the Group.

Likewise, the Corporate Tax Policy expressly covers the basic principles regarding tax matters for the Group, including, to the fullest extent possible, the prevention and reduction of tax risks while carrying on its activities and a prudent risk profile at all times. Fiscal risk management is conducted within the scope of the Comprehensive Risk Control and Management System and is overseen by the Corporate Fiscal Area, where the main corporate tax risks of all businesses and regions are controlled and monitored.

In 2021, CAF focused on the continued deployment of the uniform environmental risk methodology across the entire Group and the unification of the risk management dynamics in the area of occupational health and safety (OHS).

With regard to environmental risk management dynamics, progress was made on the unification of the single control framework, leading to the generation of synergies that have made it easier for the different members of the Environmental Forum to share their best practices, therefore enriching the evaluations and general control framework.

In the field of OHS risk management, the single methodology is now being unified and standardised for all members of the OHS Forum.

In addition, progress continued on the update of the Group's risk catalogue, and the methodology and management dynamics associated with each type of risk was improved.

Lastly, it should be noted that through the General Risk Control and Management Policy, CAF Group is committed to developing all its capabilities so that all types of risks are properly identified, measured, managed, prioritised and controlled.

In this regard, the Audit Committee is tasked with ensuring, on an ongoing basis, compliance with the General Risk Control and Management Policy and that the integrated system in place operates properly.

**E.2 Identify the bodies within the company responsible for preparing and executing the Financial and Non-financial Risk Management and Control System, including tax risk.**

In accordance with Art. 5 of Board Regulations, regarding the functions and responsibilities of the Board of Directors, the development of the General Risk Control and Management Policy, including tax risks, and the supervision of internal reporting and control systems, is one of the matters that falls within the exclusive remit of the Board of Directors sitting in plenary.

In addition, as provided for in Article 3 of its Regulations, the Audit Committee is the body responsible for supervising and evaluating the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption, as well as supervising the management of the internal control and the Company risks.

The Executive Committee is the company's most senior executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and understanding the main aspects regarding its operation and control.

The Risk Management Function under the direct supervision of the Audit Committee is responsible for the following tasks:

- Ensuring the proper functioning of the comprehensive risk control and management system and, in particular, that all major risks affecting the Company are adequately identified, managed and quantified;
- Playing an active role in developing the risk strategy and in reaching important decisions regarding its management; and
- Ensuring that the comprehensive risk control and management system adequately mitigates risks within the framework of the policy established by the Board of Directors.

Moreover, CAF has several persons responsible for Regulatory compliance and, in particular a Corporate Fiscal Area, whose role includes: (i) applying the Tax Policy determined and approved by the Board of Directors; and (ii) ensuring compliance with the principles of action in tax matters set out in the Tax Policy approved by the Board of Directors, which expressly include the prevention and reduction, as far as possible, of tax risks.

In addition, the remit of CAF's Internal Audit function includes, among others, the assurance and control of risks to which the Company is exposed and, for that purpose, it is involved in the examination and assessment of control systems and procedures and risk mitigation processes.

**E.3 Indicate the main financial and non-financial risks, including tax risks, as well as those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these may affect the achievement of business objectives.**

The most important risks facing the Group may be classified into the following categories:

**Strategic risks:** these being risks stemming from the uncertainty of the macroeconomic and geopolitical environment, along with the inherent characteristics of the sector and markets where the Group operates, and the decisions adopted on strategic and technological plans.

**Financial risks:** arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:

**Market risk,** which includes the following risks:

**Interest rate risk:** risk of interest rates fluctuations that may cause changes in both the results and the value of the Group's assets and liabilities.

**Foreign currency risk:** risk arising from changes in the exchange rates of currencies with an effect on future transactions and the valuation of assets and liabilities denominated in currency.

**Commodity price risk:** risk arising from changes in prices and market variables relating to commodities required in the businesses' supply chain.

**Credit risk:** it is the risk of insolvency or bankruptcy or possible non-payment of quantifiable monetary obligations by the counterparties to which the Group has effectively granted net credit and are pending liquidation or collection.

Liquidity and financing risk: in relation to liabilities, it is the risk linked to the impossibility of carrying out transactions or to non-compliance with obligations arising from operating or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the company's credit quality (rating) or other causes. In relation to assets, it is the risk of being unable to find at any given time parties to purchase an asset at the arm's length price or to obtain an arm's length price.

For more information on the financial risks, see the section on "Financial Risk Management" of the Notes to the Financial Statements.

Legal Risks: arising from the preparation and performance of various types of agreements and obligations (commercial, administrative, intellectual property, etc.) and the possible contingencies arising therefrom. Risks relating to legal proceedings, administrative procedures and claims are also included.

Operating Risks: inherent to all Group activities, products, systems and processes that lead to financial losses and damage in the Company image due to human/technological error, inadequate/defective internal processes or the intervention of external agents.

Corporate Governance Risks: arising from potential non-compliance with the Group's Corporate Governance System that governs the design, integration and operation of the governance bodies and their relationship with the Parent's stakeholders and that in turn are based on the commitment to ethical principles, best practices and transparency and are organised around the defence of the company's interests and the creation of sustainable value.

Compliance and Regulatory Risks: arising from the breach of applicable national and international regulations and laws irrespective of the activity in question, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market regulations, antitrust and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including personal data protection regulations, environmental laws, etc.).

The Statement of Non-Financial Information for the year ended 31 December 2021 provides further information on the various risks described above. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

#### **E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.**

The risk tolerance level established at corporate level is understood at CAF as the willingness to assume a certain risk level, insofar as it allows value creation and business development, achieving an adequate balance between growth, performance and risk.

The CAF Group presents an overall prudent risk profile with a low tolerance level, in which the objective of guaranteeing the continuity over time of its activity and the sustainable growth, and therefore of its value contribution to its shareholders and to the company in general, prevails.

In order to achieve this risk profile, the Group is based on:

- A prudent policy in relation to bid submissions in tender processes, applying predetermined Risk-Reward thresholds in the decision-making process.
- An adequate risk management infrastructure in terms of governance and availability of material and human resources.
- Search for positioning in high growth segments, in geographies that are classified as strategic and in products in relation to which CAF has existing expertise and experience that enable value generation for the Company, maintaining in all cases the desired profitability and cash generation levels.

The level of risk is defined as the product of probability and impact. Both probability of occurrence and impact are assessed on a five-level scale, and uniform criteria are used to determine each level in each of the axes. The possible results of the combination of both are:

Very low and low level risks may be accepted and a Control or Action Plan may not be needed in order to manage them.

Moderate-level risks should be carefully analysed in order to determine whether or not they are acceptable and, if appropriate, to establish a Control or Action Plan that brings the risk down to a low and therefore acceptable level.

High and very high level risks will require adequate administration and management and a formal Action Plan must be drawn up and then monitored according to its criticality, either by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

Additionally, the risk assessment considers the different types of risks to which the Group may be exposed. Risk tolerance thresholds are generally defined, although largely in relation to Operational Business Risks. If these thresholds are exceeded, new or existing Controls or Actions Plans would be triggered. As for Operational Business Risks, tolerance is defined on the basis of the main figures of the businesses/projects.

With regard to other risks such as financial and strategic risks, a level of tolerance is proposed in terms of their economic impact at corporate level. Notably, there is a principle of zero tolerance towards the commission of illegal acts and fraud.

With regard to tax risks, the Tax Policy expressly includes among the Group's basic principles in tax matters that of preventing and reducing, as far as possible, tax risks when carrying on its activities.

#### **E.5 Indicate which financial and non-financial risks, including tax risks, have materialised during the year.**

During 2021 no material or extraordinary risks materialised, beyond those included in the Directors' Report and the Notes to the Financial Statements.

The main risks that may affect the achievement of business goals are managed actively by the organisation, while minimising any adverse risks faced by the Group. In general terms, the Group's business and regional diversification assists in reducing any material impacts on the Company's equity due to risk exposure.

The year 2021 was also marked by the global commodity crisis caused by the pandemic. This crisis led to delays and higher prices for raw materials, products and services all along the supply chain. In a bid to mitigate the impacts associated with supply problems, the CAF Group has undertaken the following actions and activities: i) Monitoring and cushioning the impact on prices and supply lead times; ii) monitor and manage the supply chain to avoid disruptions; iii) share risk with customers to the extent possible.

CAF Group continued to monitor and control specific activities during the year so as to ensure: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2021 and the non-financial information statement for 2021.

The foreign currency risk to which the Company is exposed due to its operations in the international sphere is managed in accordance with the Market Risk Policy approved this year by the Board of Directors, which envisages various strategies aimed at reducing this risk such as the establishment of financial or natural hedges, ongoing monitoring of fluctuations in exchange rates and other complementary measures.

The contingencies managed in the realm of Compliance are part of the overall risks supervised within the system. A description of the material topics for 2021 can be found in Note 26 to the consolidated financial statements and in the Non-Financial Statement.

#### **E.6 Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.**

CAF's Comprehensive Risk Management System is based on preparing Controls and Action Plans through the appropriate corrective measures, using the META strategy.

In the case of non-manageable risks that raise the risk profile above the tolerance level, contingency plans to remediate the project in progress or in a previous stage are evaluated in order to decide on whether or not to submit the corresponding bid.

Based on the criteria established by the CAF Group and the META analysis methodology, 4 possible strategies for risk management have been defined:

- Mitigate: The risk is accepted but Action Plans are implemented to reduce it.
- Avoid: It is considered that the conditions are not acceptable by the CAF group, so the risk must be eliminated (Zero Tolerance).
- Transfer: It is considered that there are measures that allow transferring the risk to a third party.
- Assume: It is considered that there are no measures to help reduce the risk, so the risk is accepted in its entirety.

The Comprehensive Risk Management System adopted by CAF is aligned with international standards, ISO 31000 and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management), regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines Model, on assigning responsibilities in the risk management and control area.

The responsibilities granted by CAF for each Line are as follows:

(a) The First Line rests on the business's own operating units, which are responsible for day-to-day risk management and for maintaining proper internal control and implementing actions to address control deficiencies.

(b) The Second Line, coordinated by the Corporate Risk Management Function, complements the activities of the First Line and carries out monitoring and reporting activities. It is also responsible for ensuring compliance with the level of risk assumed by the Group by independently controlling the business units.

(c) The Third Line comprises an independent review of the first two lines and is performed by the Internal Audit Function. The effectiveness of the Risk Management and Control Policies are periodically assessed and verified by the second and third lines. The alerts, recommendations and conclusions generated are communicated to both the Executive Committee and, where appropriate, the Audit Committee.

In carrying out their functions, the Internal Audit and Risk Management departments have qualified and experienced personnel who are independent of the business units. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group's risks.

**F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms forming your company's Internal risk management and Control systems relating to the process of publishing Financial Reporting (ICFR) of the company.

**F.1 The entity's control environment**

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. The Audit Committee, further to the powers delegated by the Board of Directors, is the body responsible for supervising, inter alia, the process of preparation and presentation and the integrity of the regulated financial and non-financial reporting and information systems and the effectiveness of the Company's internal control, in particular ICFR. It also monitors the risk management systems or the systems and mechanisms linked to the Company's internal codes of conduct, as well as the internal audit services, and liaises with the auditors or audit firms on any significant weaknesses in the internal control system that may have been detected over the course of the audit. These functions are described in the Regulations of the Audit Committee.

The Internal Audit Department is mandated by the Audit Committee to effectively supervise the Financial Information Internal Control System through its single and independent oversight role, in line with the professional quality regulations and standards, which shall contribute to good corporate governance and ensure that the financial information has been prepared in a reliable manner.

The Financial Department is the division in charge of designing, implementing and maintaining an adequate and effective internal control system on financial information.

F.1.2 Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Executive Director and the Head of Human Resources are tasked with designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

With regard to ICFR, the main tasks and controls to be carried out and supervised, and those persons responsible for them, are clearly defined in the processes determined as critical for the generation of financial information. Therefore, the lines of responsibility and authority are clearly defined in all cases. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the website. The Code of Conduct contains the set of general standards and principles on corporate governance and professional conduct that are applicable to all employees of CAF, S.A. and CAF Group subsidiaries.

The Code of Conduct defines the ethical structural principles that serve as a basis to establish the behavioural criteria that are mandatory for CAF professionals and the agents they interact with as part of their Company business. These ethical structural principles refer to strict compliance with the law, quality, reputation, protection of human resources, respect for and engagement with the community and environment and the duty of transparency.

Particularly, with regard to the Financial Information, the Code of Conduct sets forth that "the information conveyed to the shareholders shall be truthful, complete and current and shall adequately reflect the Company's position. Adherence to this maxim shall be especially scrupulous with regard to the financial information. CAF acts with total transparency, adopting specific procedures to ensure the financial documentation is correct and truthful. CAF pays special attention to the fact that the abovementioned information is recorded and conveniently disclosed to the market".

The Compliance Function is responsible for advising the Board of Directors on all matters relating to compliance with the Code of Conduct. Its powers and remit include, among others, proposing to the Board of Directors the review and updating of the rules of the Corporate Compliance System approved by the Board, approving the corresponding rules of implementation, and verifying the effective application of the Code of Conduct. This includes the task of managing the general whistleblowing channel, analysing possible breaches or proposing corrective actions and sanctions.

The Code of Conduct has been further developed by the Board of Directors itself, in particular through the Crime Prevention Manual, approved on 29 April 2015, which contains a system of policies and procedures with the aim of preventing, as far as possible, the perpetration of significant crimes. This Crime Prevention Manual has undergone successive reviews by the Board of Directors in 2016, 2018 and 2021. During the 2021 review, the Manual was updated to bring it in line with recent changes in criminal law to have occurred since the previous 2018 version of the Manual, and also make various minor adjustments that ensure that the Manual is more acceptable at corporate level. Likewise, the structure of the Compliance Function has been adapted to incorporate changes in the best practices in this area. When any new version or development of the manual is approved, the appropriate dissemination and training measures are adopted.

Even so, the Crime Prevention Manual establishes that, whenever appropriate, the risks of committing the crimes referred to in the manual should be reassessed and the relevant internal risk map updated, and that this reassessment should in any case take place at least every four years.

In 2021, the criminal risk map for each activity at the railway business was amended and the complete reassessment of the criminal risk map entered a second phase consisting of revising the preventive controls. The third phase will address the technological deployment to manage these matters in line with the CAF Group's IT strategy.

Meanwhile, permanent training actions continued throughout 2021 in a bid to raise awareness and disseminate and implement the Crime Prevention Manual among CAF Group personnel.

At year-end, the training module on the Crime Prevention Manual had been launched to the Group's entire scope of consolidation. 98% of people have completed the programme. Since the start of the programme, more than 6,300 people have received training in this matter (2020: more than 5,600 people). More than 700 people received training in 2021. Similarly, there is a system in place for training new employees, and the aforementioned programme is included in the new employee on-boarding plans. Training materials are kept up-to-date.

- Whistleblowing channel, allowing for the disclosure to the Audit Committee of irregularities of a financial and accounting nature, in addition to possible breaches of the code of conduct and irregular activities within the organisation. Such disclosures may be made on a confidential or anonymous basis and the rights of the whistleblower and the reported party are respected in all cases.

There is a single whistleblowing channel in place through which employees may disclose matters relating, among others, to financial and accounting aspects. This channel is supervised by the Compliance Function. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. If the complaint or disclosure merits closer scrutiny, the documentation may be sent to the relevant department for the purpose of conducting a joint assessment of the facts and determining the measures to be taken.

The Compliance Function reports to the Board of Directors or the Audit Committee or General Management, depending on the circumstances and nature of the presumed infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel.

The CAF Group internal regulations establish the possibility of setting up other channels to receive complaints in jurisdictions where demanded by the local legislation.

The general whistleblowing channel is available at all times to all of the Company's stakeholders and any third party, allowing employees and others related to the Company, such as directors, shareholders, suppliers, contractors and subcontractors, to report potentially significant irregularities relating to the Company, whether financial, accounting or other, which they may notice or detect at any Group company.

The operating rules of this whistleblowing channel, as well as the procedure for managing infractions or suspected infractions that have been detected, are permanently available on the corporate website and cover the verification of possible breaches of the CAF Group's Corporate Governance System in general and, in particular, (i) of the Code of Conduct of the CAF Group and of any other breaches of internal rules or legislation regarding (ii) Crime Prevention, (iii) Competition Law, or (iv) Market Abuse and the handling of Insider Information.

The general whistleblowing channel accepts communications of all types and is always accessible through the Group's website in the main languages used at corporate level. The channel guarantees confidentiality and the aforementioned procedure envisages cases in which communications can be made anonymously, respecting the rights of the complainant and the respondent. In particular, the aforementioned procedure reflects the CAF Group's commitment not to make any direct or indirect reprisals against the professionals who have reported an irregular action that might be investigated, unless they have acted in bad faith.

The Compliance Function also coordinates matters with the person responsible for receiving complaints through other special channels which affect CAF employees, such as those related to possible instances of discrimination, harassment, bullying or safety at work.

Throughout 2021, the whistleblower mailbox was checked daily and monthly checks were also carried out to ensure that it was working properly. During this time, no formal complaints were received through the general CAF whistleblowing channel, although:

- (i) A business partner was ejected from a consortium due to non-compliance with CAF's Compliance standards;
- (ii) further investigations were carried out in relation to a possible non-compliance at a supplier; and
- (iii) two preliminary investigations were carried out in relation to two projects, including subsequent follow-up.

Issues from previous years were also monitored.

In 2021, five complaints were received in the special workplace whistleblowing channels, all of which were investigated internally. The relevant labour measures were applied in all cases, leading to disciplinary dismissals in two cases.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

The Group has a corporate training budget and a training plan designed at least biannually. Training needs are detected and activities for each department are scheduled as part of this plan.

Staff performance assessments are held every year and an individual development and training plan is set out for every employee included in the Training Plan. In addition, refresher courses taught by external specialist are held at least on an annual basis so as to ensure staff remains up-to-date on regulatory changes that can affect the preparation of the financial statements and webinars presented by experts on the matter are attended.

It is important to note that the recommendations issued by regulatory bodies such as ESMA and CNMV are also reviewed annually when drawing up the financial statements, with a focus on regulatory developments and other key economic circumstances and events.

The main indicators in relation to CAF, S.A.'s economic and financial training programmes to support the various businesses in 2021 are as follows:

- Number of participants in these training actions: 938
- Number of training hours received: 3,238 hours

Apart from wide training, the main training activities are focused on the technical updates within the economic and financial area, (legislation, tax scheme, risks, ...).

## **F.2 Assessment of risks in financial reporting**

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

Identification of risks in relation to financial reporting is a continuous and documented process carried out by the Company's Management as part of the risk management system, which begins with the task of drawing up the bid, and enables the identification and management of the various risks to which the Group is exposed during its normal course of business.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

At the beginning of each year, supported by projected financial information, the main control objectives and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Financial Department and the persons responsible for business areas and meetings to review the financial information reported by the subsidiaries.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

At least on a quarterly basis, the Legal Department sends the Financial Department the Group's company organisation chart, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Economic-Financial Department.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process takes into account all risks identifiable insofar as they affect the financial statements.

- The governing body within the company that supervises the process.

The Audit Committee is the body responsible for overseeing the regulated financial and related non-financial information preparation process and presentation, which includes the risk identification process.

### **F.3 Control activities**

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1** Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

Financial Statements certification: The financial statements are certified by the Chief Executive Officer and the Chief Financial Officer. Prior to that, the information used to draw up the statements will have been validated by the senior employees involved in preparing the statements and control activities will have been carried out to minimise the risks of any error that may affect the financial reporting process.

The main financial reporting generation processes significantly affecting financial statements are documented and programmed. The financial reporting processes that are covered include the following:

- Consolidation and Reporting
- Accounting closing
- Employee compensation
- Treasury management
- Recognition of revenue, billing and customers
- Inventories and Supplies (for every business unit)

Investments  
Taxes  
Provisions  
Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is designated to implement and oversee each control activity, ensure that it is carried out in due course and gather all evidence needed to carry out the activity.

This system is updated on a continual basis and is adapted according to the risks identified.

**F.3.2 Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.**

The Management of Information and Communication Technologies (ICT) is a corporate process that falls under the CAF Group's Management Model. Its mission is to provide and manage services, supporting the Group's information technology and communication needs in any of the areas of business activity, enhancing the use of these technologies and providing an efficient and effective management over the available resources, ensuring confidentiality, integrity, availability and assurances over the information.

The objectives of this process are to:

- Comply with the Corporate ICT development plan
- Ensure the availability of information systems (availability)
- Guarantee the security (confidentiality and integrity) of Information Systems
- Promote the standardisation of systems
- Improve the level of user satisfaction with ICT systems
- Develop the ICT corporate framework

The ICFR includes control activities that monitor the proper performance of the processes of Information Systems, in relation to:

- Ensure sound management of information technology
- User management
- Configuration management
- Physical safety management
- Change management
- Operational management and system control
- Continuity management
- Third-party management

Further highlights include the Information Security Management System (ISMS) that has been in place in 2017 in accordance with ISO 27001. The system has been certified since 2018 and has been renewed in 2021 for the information systems managed by the Corporate Digital Department that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

**F.3.3 Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.**

There is an Accounting and Financial Procedures and Policies Manual applicable to all CAF, S.A. subsidiaries, including, among others, an approval and supervision policy for activities subcontracted to third parties in preparing the financial statements.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Furthermore, during the fiscal year 2021, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 of business combinations. In these cases, the Company's policy is to resort to firms of renowned background and independence.

#### **F.4 Information and communication**

Report on whether the company has at least the following, describing their main characteristics:

**F.4.1** A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

CAF, S.A.'s Economic and Financial Department is responsible for preparing the consolidated financial statements as well as Parent Company's financial statements. Some of their tasks are to resolve accounting doubts for the rest of the Group companies with which the Company has a direct and fluid relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual. The Manual is available on CAF's internal portal.

**F.4.2** Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR system

Every year a schedule is drawn up of the information required to prepare the financial information for the following fiscal year.

The financial information of each subsidiary is reported directly to CAF, S.A.'s Financial Department, through a web-based tool with consistent reporting formats. The tool is used to gather the information supporting the consolidated financial statements, as well as the consolidated information contained in the notes to the financial statements, and which is used to aggregate and consolidate the information reported.

CAF, S.A.'s Economic-Financial Department is responsible for establishing the formats on the web application (chart of accounts, reporting package). Those who have been designated for each subsidiary and are charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

#### **F.5 Supervision of the functioning of the system**

Report on at least the following, describing their principal features:

**F.5.1** The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

In accordance with the provisions of its own Regulations, the Audit Committee is responsible for supervising the preparation process and the integrity of the financial information, ensuring its compliance with the legal provisions, the accurate determination of the consolidation scope, as well as to oversee the proper internal controls risk management systems, including ICFR. Likewise, the Committee reviews that the information published on the Company's website is constantly updated and reflects the one prepared by the Board of Directors, which has been published in the CNMV's website.

The Audit Committee ensures the staff involved in the Financial Information Internal Control System evaluation tasks:

- Act with integrity and are independent in the performance of their work, thus ensuring that their conclusions are objective and impartial.
- Are competent and possess the necessary technical expertise to perform their work diligently.

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the ICFR design and operation.

Each year, the Manager of Internal Audit presents the internal audit activities to the Audit Committee for its approval, which includes ICFR oversight tasks. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.

Based on this plan, the Internal Audit Manager reviews the ICFR's design and functioning by periodically reporting to the Audit Committee on its assessments, including weaknesses detected, action plans to correct them and recommendations for further improvement. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2021 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

- Identification and evaluation of the main risks relating to financial reporting.
- Analytical review of the financial information submitted to the CNMV on a quarterly basis, together with the review of the execution of control activities in the accounting closing and consolidation and reporting processes, including a review of the main judgements and estimates.
- Review of processes and subsidiaries according to a risk-based rotation plan. That review includes relevant financial information risks.
- Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and recommendations for further improvement.
- Annual report on ICFR indicators.

**F.5.2** Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified. The Internal Audit manager attended six Audit Committee meetings in 2021, reporting on the evolution of the annual work plan and of the existing action plans to implement the internal control improvement recommendations.

Meanwhile, the external auditor meets with the Audit Committee to present the conclusions of the audit work on the financial statements and to report any significant internal control weaknesses detected during the course of the audit, assessing their possible effects on the financial information.

In 2021, external auditors have twice appeared before the Audit Committee and met with the Board in the plenary session held on 25 February 2021.

## **F.6 Other relevant information**

## **F.7 External auditor's report**

Report:

**F.7.1** Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The external auditor's report regarding the financial information internal control system (ICFR) is attached hereto as an annex.

**G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

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Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [  ]      Explain [  ]

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [  ]      Complies partially [  ]      Explain [  ]

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [ X ]      Complies partially [ ]      Explain [ ]

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [ X ]      Complies partially [ ]      Explain [ ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.  
b) Reports on the workings of the audit and nomination and remuneration committees. c) Report by the audit committee on related party transactions.

Complies [ X ]      Complies partially [ ]      Explain [ ]

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [ X ]      Complies partially [ ]      Explain [ ]

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies  ]      Complies partially  ]      Explain  ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies  ]      Complies partially  ]      Explain  ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [ X ]      Complies partially [ ]      Explain [ ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [ X ]      Explain [ ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [ X ]      Complies partially [ ]      Explain [ ]

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [ X ]      Complies partially [ ]      Explain [ ]

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [ X ]      Explain [ ]

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [ X ]      Explain [ ]

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies [ X ]      Complies partially [ ]      Explain [ ]

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [  ]      Explain [  ]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies       Complies partially       Explain

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies       Complies partially       Explain       Not applicable

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies       Complies partially       Explain       Not applicable

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies  ]      Complies partially  ]      Explain  ]

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies  ]      Complies partially  ]      Explain  ]

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies  ]      Complies partially  ]      Explain  ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies  ]      Complies partially  ]      Explain  ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies  ]      Explain  ]      Not applicable  ]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies       Complies partially       Explain

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies       Complies partially       Explain

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies       Complies partially       Explain

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies       Complies partially       Explain       Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies       Explain

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work. b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies       Complies partially       Explain

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies       Complies partially       Explain       Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies       Complies partially       Explain       Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies       Complies partially       Explain

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [ X ]

Complies partially [ ]

Explain [ ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [ X ]

Complies partially [ ]

Explain [ ]

Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following functions:

1. With regard to information systems and internal control:

- a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation. b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [ X ]

Complies partially [ ]

Explain [ ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies  ]      Complies partially  ]      Explain  ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies  ]      Complies partially  ]      Explain  ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies  ]      Complies partially  ]      Explain  ]

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies       Complies partially       Explain

48. That large-cap companies have separate nomination and remuneration committees.

Complies       Explain       Not applicable

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies       Complies partially       Explain

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Proposing the basic conditions of employment for senior management to the Board of Directors. b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies       Complies partially       Explain

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies       Complies partially       Explain

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That their chairpersons be independent directors.
- c) That the Board of Directors selects members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discusses their proposals and reports; and requires them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies [ X ]

Complies partially [ ]

Explain [ ]

Not applicable [ ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [ X ]

Complies partially [ ]

Explain [ ]

54. The minimum functions referred to in the foregoing recommendation are the following:

- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
- b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
- d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [ X ]      Complies partially [ ]      Explain [ ]

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [ X ]      Complies partially [ ]      Explain [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [ X ]      Explain [ ]

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies       Complies partially       Explain

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies       Complies partially       Explain       Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies       Complies partially       Explain       Not applicable

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

The Company's Remuneration Policy does not provide for the possibility of establishing a variable remuneration system that is linked to the delivery of shares or financial instruments pegged to their value.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES**

## H. FURTHER INFORMATION OF INTEREST

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1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

### C.1.16 (continued)

With respect to the appointment of non-executive directors, the Board shall endeavour to ensure that candidates shall be selected from among persons recognised for their solvency, competence and experience, and extreme care shall be taken in respect of calls to fill independent director positions. Independent directors shall be directors appointed due to their personal and professional qualities who can discharge their functions without being influenced by relationships with the company or its group, their significant shareholders or senior executives. Individuals may not in any case be considered to be independent directors if: a) They have been employees or executive directors of Group companies, unless three or five years, respectively, have elapsed since the termination of such a relationship; b) they receive from the Company, or from the group to which it belongs, any payment or benefit other than director remuneration, unless such an amount or benefit is insignificant for the director. For the purposes of this section, dividends and pension supplements received by the director as a result of their previous professional or employment relationship will not be counted, provided that such supplements are unconditional, meaning, therefore, that the company paying them may not, at its sole discretion, suspend, modify or revoke their accrual without breaching its obligations; c) in the last three years, they have been a partner of the external auditor or responsible for the auditor's report, whether the audit during said period is of the Company or of any other company in its group; d) they are executive directors or senior executives of another company where an executive director or senior executive of the company is a non-executive director; e) they have material business dealings with the company or any company of its Group or have had such dealings in the preceding year, either on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings. Relationships with suppliers of goods or services, including financial services, and with advisors or consultants shall be considered to be business relationships; f) they are significant shareholders, executive directors or senior executives of an entity that receives or has received in the last three years significant donations from the company or its Group. This definition excludes those who are merely trustees of a foundation receiving donations; g) they are spouses or partners with an analogous affective relationship or relatives up to the second degree of kinship of one of the company's executive directors or senior executives; h) they have not been proposed for appointment or re-election by the Nomination Committee; i) they have held office as directors for a continuous period of more than 12 years; j) they fall within in any of the situations indicated in points a), e), f) or g) in relation to a significant shareholder or entity represented on the Board. In the case of the family relations indicated in point g), the restriction shall apply not only in connection with the shareholder but also with the proprietary directors of the investee. Proprietary directors are considered to be those who have a shareholding equal to or exceeding the level considered by law to be significant, or were appointed on the basis of their shareholder status, even though their shareholding does not reach the stipulated amount, and those who represent shareholders of the aforementioned parties. Proprietary directors who lose their status due to the disposal of shares by the shareholder they represent may only be re-elected as independent directors once the shareholder they represented has sold all the remaining shares in the Company. Any director who has a shareholding in the company may hold the position of independent director, provided they satisfy all the conditions established in the aforementioned article and, in addition, their ownership interest is not material (Art. 16 of the Regulations of the Board of Directors).

The directors shall hold office for a term of four years. Directors may be re-elected for office one or more times for periods of equal duration.

The appointments of the directors shall be effective as soon as they are accepted (Article 29 of the Company Bylaws) will apply. Renewal of the Board of Directors shall take place on the expiry of each director's tenure (Art. 30 of the Company Bylaws).

The Nomination and Remuneration Committee holds certain powers in relation to the appointment, evaluation and removal of directors, which are detailed in its regulations.

The most noteworthy powers are as follows: The core remit of the Nomination

and Remuneration Committee is as follows: 1.- Evaluate the skills, knowledge and experience required of the Board of Directors. For this purpose, it will draw up a matrix with the powers of the Board that defines the functions, knowledge and skills required for candidates to cover each vacancy, periodically updated and shall evaluate the time and dedication required to perform their duties effectively; 2. Set a representation goal for the gender with less representation on the Board of Directors and prepare recommendations on how to achieve that goal; 3. Submit to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the Annual General Meeting's consideration, as well as the proposals made by the General Meeting for such directors' re-election or removal; 4. Report the proposals for appointment of the other directors by co-option or submission to the decision of the Annual General Meeting, and propose the re-election or removal of these directors by the Annual General Meeting. 5.- Report the proposed appointment of the Chair of the Board of Directors and of the Secretary, and of the Deputy Chairs, where applicable. 6.- Inform the Board of Directors of the appointment or removal of the Secretary. 7.- Submit to the Board of Directors the proposal for the appointment of a Coordinating Independent Director. 8. Report the proposals for the appointment and removal of senior executives and propose the basic terms and conditions of their contracts; 9. Examine and organise the succession of the Chair and the chief executive of the Company and, if applicable, submit proposals to the Board of Directors in order to ensure a smooth and well-planned handover, periodically preparing and reviewing a succession plan for such purpose. 10. Issue a report prior to the Board reprimanding a director for having infringed their obligations as a director. 11. Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the company, that could harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as investigated parties; 12. Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists, and 20. Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report (Art. 3 of the Regulations of the Nomination and Remuneration Committee).

In relation to the removal of directors, the Board Regulations also provide for certain special rules: The removal of the directors shall take place as defined in the terms of the legislation applicable at any given time. Directors must tender their resignation to the Board of Directors and, if the latter considers it appropriate, formally resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, cease to exist and, specifically, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce their stakes to a level that requires a reduction in the number of proprietary directors; b) if they are subject to any of the grounds for conflict of interest or prohibition provided for in law; c) if they are tried for an alleged criminal act or are subject to a disciplinary proceeding conducted by supervisory authorities for a serious or very serious infringement; d) if they are seriously reprimanded by the Board of Directors following a report from the Nomination and Remuneration Committee for having breached their obligations as Directors; e) if they find themselves in a conflict of interest situation and fail to comply with their reporting and abstention duties; and f) if they breach the non-compete obligation. The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Art. 18 of the Regulations of the Board of Directors).

Also, the Director Selection and Diversity Policy, amended by the Board of Directors of CAF at the meeting held on 17 December 2020, reiterates the functions pertaining to the Nomination and Remuneration Committee in the director selection process, as well as the terms of its participation in that process, as described above, and the conditions candidates must fulfil, placing special emphasis on the fundamental objective to promote diversity in terms of knowledge, experience, age and gender among Board members, applying criteria that ensure the existence of sufficient diversity in the composition of the Board and a lack of implicit bias that could amount to discrimination on grounds of age, gender, disability or any other personal characteristic, in line with Recommendation 14 of the Spanish Good Governance Code of Listed Companies and Articles 529 bis and 529 quinquies of the Capital Companies Act.

#### C1.30 (continued)

Likewise, and to ensure the independence of the external auditors, the Company has had an internal Procedure for Engaging the Services of the Accounts Auditor in place since 27 July 2016. The entire CAF Group must follow and comply with this procedure.

According to this procedure, the Audit Committee must approve, prior to their arrangement, any non-audit services requested from the audit firm of the CAF Group or other entities in its network, so as to verify that the services would not compromise the auditor's independence.

Before any request is relayed to the Committee, the Company's Corporate Finance Department and Internal Audit function review that the requested services are not prohibited under the terms of Regulation (EU) No 537/2014 of 16 April 2014.

In this regard, it should be noted that, without prejudice to applicable legal provisions, the Committee has prudently, and to protect the Company's good name, set a limit on the fees to be received by the statutory auditor for non-audit services. This limit is more restrictive than that provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of Spanish Law 22/2015 on account auditing. More precisely, this limit is 50% of the average audit fee for the last three years, i.e. below the legal limit of 70%.

In relation to financial year 2021:

- The Audit Committee met with both the current external auditors, Ernst & Young, S.L. (E&Y), and with the firm that provided audit services until last year, Deloitte, S.L., without the auditor communicating any issues that might compromise its independence.
- On 25 February 2021, the external auditor, Deloitte, S.L., submitted to the Committee the external confirmation of its independence in relation to the financial information pertaining to financial year 2020. In that document, the auditor confirmed that they had implemented internal policies and procedures designed to provide reasonable assurance that the audit firm and its staff maintained their independence to the extent required by applicable law and regulations.
- On 25 February 2021, the Committee approved the report on the independence of the Company's auditors, concluding that no aspects had been identified that called into question compliance with prevailing regulations for the auditing of accounts in terms of auditor independence.
- Lastly, on the same date the Committee issued its report on the evaluation of the external auditor, which, among other parameters, assesses its independence, with favourable conclusions.

Mechanisms to preserve the independence of financial analysts, investment banks and rating agencies:

The principles underpinning the Company's relationship with financial analysts, investment banks and rating agencies are set out in the General Policy on Communication of Economic-Financial, Non-Financial and Corporate Information and Contact with Shareholders, Institutional Investors and Proxy Advisors and are those of transparency, equal treatment and non-discrimination, truthfulness, and reliability of the information provided.

The Investor Relations Department, attached to the Economic-Financial and Strategy Department of the Company, is responsible for channelling communication between the Company and shareholders and investors, institutional investors, asset managers and financial intermediaries, without prejudice to any contact or dealings that department may make with other market agents such as financial analysts or other bodies, respecting in all cases the general principles enshrined in the aforementioned Policy.

#### C2.1 (continued) AUDIT COMMITTEE

iv. Propose the budget for that service; v. Approve the work plans and methods of Internal Audit, ensuring that its activity focuses primarily on significant risks (including reputational risks); vi. Receive regular information on the execution of the annual plan and other activities carried out, including possible incidents and scope limitations arising in the course of the work, the outcome and follow-up of its recommendations, and an activities report at the end of each reporting period; vii. Verify that senior executives take into account the conclusions and recommendations of its reports; viii. Assess the functioning of Internal Audit and the performance of the head of the unit.

d) In relation to the external auditor: i. Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process within the meaning of Articles 16.2, 16.3, 16.5 and 17.5 of Regulation (EU) No 537/2014, of 16 April-, and the terms and conditions of the engagement; ii. Obtain information regularly on the audit plan and the execution thereof; iii. Discuss with the auditor the significant weaknesses in the internal control system disclosed in the performance of the audit, all of which should be performed without compromising its independence. For these purposes, the Committee may, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof; iv. Preserve its independence when exercising its functions, in particular for that purpose: Establish the pertinent relationships with the external auditors in order to receive information on any matters that might compromise their independence, for scrutiny by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015 of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the preceding paragraph, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. Ensuring that the remuneration of the external auditor for their work does not compromise their quality or independence, and also setting an indicative limit on the fees that the auditor may receive annually for non-audit services; v. Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces; vi. Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence; vii. Investigate the circumstances giving rise to the resignation of any external auditor should this situation arise; viii. Ensure that the Company notifies any change of auditor to the National Securities Market Commission (CNMV), accompanied by a statement of any discrepancies arising between the outgoing auditor and the reasons behind; ix. Carry out a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the completeness of the financial information. The provisions of sections i, ii and iv above shall be deemed to be without prejudice to applicable audit regulations. e) Other functions: i. Inform the Board of Directors in advance of all matters contemplated in the law, the Company Bylaws and the Board Regulations, and in particular on: the financial information and management report—which should include, where appropriate, the pertinent non-financial information—that the company must periodically make public; and the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; ii. Report on related party transactions to be approved by the General Meeting or the Board of Directors and supervise the internal procedure put in place by the Company for those transactions whose approval has been delegated in accordance with applicable regulations; iii. Be informed of the structural and corporate changes expected to be made by the Company for analysis and reporting, prior to the Board of Directors meeting, on their economic conditions and the accounting impact of the transactions and, especially, as appropriate, on the proposed exchange ratio; iv. Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material; v. Approve an annual work plan that includes, inter alia, the annual schedule of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued; vi. Submit to the Board of Directors, as part of the annual evaluation of the Board of Directors and its Committees, an annual assessment report on its own performance; vi. Issue an annual assessment report on the functioning and activities of the Committee in the previous year; viii. Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors (Article 37 bis of the Company Bylaws and Article 3 of the Regulations of the Audit Committee).

Similarly, the Audit Committee holds the following powers: 1. In order to perform its functions the Audit Committee shall have full powers to access any kind of information, documentation or records it considers necessary for such purpose. 2.- The Audit Committee may request the Board of Directors to engage external advisory services in matters of particular significance when it considers that the company's own experts or technical specialists, or those of group companies, are unable to provide these services adequately or with the necessary independence. 3. In addition, the Audit Committee may request at any time the personal involvement or reports of any member of the company's and/or Group companies' management teams whenever it deems that they are necessary or advisable for the performance of the Committee's functions, as well as their attendance, following invitation by the Chair of the Committee, at the meetings, only to discuss the specific points on the agenda in relation to which they were invited. Also, it should be ensured that this presence does not become common practice so that such attendance only occurs when necessary (Art. 10 of the Audit Committee Regulations).

#### Functioning:

The Audit Committee shall meet whenever the Chairman deems it appropriate so that it may perform its functions, and at least four times a year. As a minimum, the Committee shall meet when the annual or interim financial information is published and, in these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the financial auditors with respect to those matters on the agenda in relation to which they were invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with

them exclusively. The Committee shall likewise meet when required by the Board of Directors (Art. 5 of the Audit Committee Regulations). The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting. In all cases, the Chair of the Committee shall, acting through the Secretary, channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (Art. 6 of the Audit Committee Regulations). Committee meetings shall be held at the place indicated in the call notice except in the case of meetings held by conference call, video call or any other means of remote communication (Art. 7 of the Audit Committee Regulations). The Audit Committee shall be validly convened where more than half of its members attend, either in person or by proxy. Power of representation may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, in person or by proxy, and agree unanimously to hold the meeting (Art. 8 of the Audit Committee Regulations). The Audit Committee shall adopt the resolutions by absolute majority of the directors attending the meeting in person or by proxy. The Secretary shall issue minutes of each meeting which, following approval thereof either at the end of the meeting or in the following meeting, shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all the Board members (Art. 9 of the Audit Committee Regulations).

The main activities performed by the Committee in 2021 may be grouped into the following areas:

i. Financial and non-financial reporting and internal control mechanism activities:

- Examination, prior to their submission for authorisation for issue by the Board of Directors, of the separate and consolidated financial statements and the directors' reports of CAF, S.A. and the CAF Group, respectively, for the 2021 reporting period; The Directors' Report includes the Non-Financial Information Statement that contains the information on non-financial indicators relating to environmental activity, social matters, Human Resources, Respect for Human Rights and the Fight against Corruption and Bribery.

- Examination, prior to their submission for approval by the Board of Directors, of the quarterly and half-yearly separate and consolidated financial statements.
- Review of the remaining information to be furnished to the markets and to supervisory bodies during the year.
- Monitoring of exchange rate differences.
- Proposed distribution of interim dividends against 2021 earnings for approval by the Board.

ii. Related-party transaction activities.

- Review of related-party transactions entered into by the Company prior to 3 July 2021, the date of entry into force of the new legal regime on this matter, as introduced into the Capital Companies Law by Law 5/2021, verifying that they met the legal requirements to be exempt from the specific approval of the Board of Directors.
- Preparation of the mandatory report on related-party transactions entered into after 3 July 2021, subject to the approval of the Board of Directors, verifying that such transactions were fair and reasonable and were based on normal market conditions and rates.
- Submitting a proposal to the Board in relation to the CAF Group's Manual on Related Party Transactions, which sets out the basic rules for managing the Group's related party transactions, including, among other aspects, the internal procedure for the periodic reporting and control of delegable related party transactions, the purpose of which is to verify the fairness and transparency of these transactions and ensure compliance with applicable law and regulations.
- Proposal to vest powers in the Company's Chief Executive Officer and the Chief Financial and Strategy Officer to approve those related party transactions the approval of which may validly be delegated, in accordance with Article 529 duovicies of the Capital Companies Act.

iii. Activities relating to the sustainability policy and the terms of execution thereof in the year

The sustainability activities are attributed by the Board to the Nomination and Remuneration Committee, without prejudice to verification by the Audit Committee of the information in this connection disclosed in the directors' report that accompanies the separate and consolidated financial statements of CAF, S.A. and the CAF Group, respectively.

iv. Risk management and control activities

- Ongoing evaluation of the ICFR system and analysis of the recommendations, and plans for improvement thereof, proposed by Internal Audit.
- Supervision of the Risk Management Unit. Participation of its head in the Committee meetings, to report on the main risks and contingencies affecting the Company and its Group. In this connection:
  - Monitoring of the Unit's Activities Plan.
  - Periodic supervision of the assurance map.
  - Supervision of the risk management system implemented by the Company in relation to the various Businesses and Projects.
- Supervision of the activities of the Company's internal Tax Department, which is tasked with the control and management of the Group's tax risks, with regular reporting on any inspections in progress, transactions carried out, changes in the risk matrix, monitoring of compliance with the Tax Policy and of any new developments in tax matters relevant to the Company.
- The evaluation of all the company's non-financial risks, including operational, technological, legal, corporate, environmental, political and reputational risk and those relating to corruption.
- Monitoring compliance with internal codes of conduct and the whistleblowing channel.

v. Internal audit-related activities:

The Audit Committee analysed and oversaw, on a direct and ongoing basis, the actions taken by the company's internal audit area. In addition to the activities in the preceding paragraph, the Audit Committee performed the following actions:

- Review of the Annual Report on Internal Audit Activities for 2020.
- Approval of the Internal Audit Work Plan for 2021, including:
  - Review of periodic public information (half-yearly and quarterly financial statements, annual accounts and management report);
  - Quarterly monitoring of the main financial and tax risks.
  - Risk-based audit work rotation plan;
  - Review of specific processes, according to the Work Plan in place.
- Monitoring of the execution of the Internal Audit Work Plan over the year.
- Evaluation of the functioning of Internal Audit and the performance of the head thereof.

vi. External auditor-related activities:

- Analysis of the external auditor's reports on the Company's separate and consolidated financial statements for 2020.
- Analysis of the limited review report on the half-yearly financial statements for 2021.

- Request for written confirmation of independence issued by the auditor and preparation of the Report on the Auditor's Independence, in relation to the audit of the 2020 financial statements.
  - Modification of the Procedure for Engaging the Services of the Auditor.
  - Approval of the proposal for non-audit services for the year 2022 and its budget. Verification that the actual fees incurred for services arranged in 2020 did not exceed the amounts set out in the approved budget, and that no unapproved services were arranged.
  - Analysis, alongside the external auditor, of the main incidents detected during the audit, verifying that they were effectively remediated and that the risks detected were duly addressed.
  - Evaluation of the external auditor's conduct.
- vii. Analysis of corporate operations
- Analysis of ongoing strategic corporate operations, for proposal to the Board of Directors.
- viii. Activities regarding financing:
- Analysis of the proposed renewal of the commercial paper issuance programme on the Spanish Alternative Fixed Income Market (MARF), as registered in December 2020, and proposal to the Board of Directors for its approval.
- ix. Audit Committee action plan monitoring activities:
- Throughout the reporting period, the Committee verified the effective fulfilment of the 2021 action plans proposed in the Annual Performance Assessment Report, which was approved at its meeting of 17 December 2020.
- x. Other activities
- Approval of the 2020 report on the functioning of the Audit Committee.
  - Oversight of the process of implementing the General Policy regarding the communication of financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders, including the monitoring of relations and communication with small and medium-sized shareholders.
  - Proposal to amend the Audit Committee Regulations.
  - Preparation of the Report on the Annual Performance Assessment in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies.
  - Approval of an annual audit plan for 2022, which includes the annual schedule for Committee meetings with the external auditors.

#### NOMINATION AND REMUNERATION COMMITTEE

15. Draw up a report for the Board of Directors recommending the individual remuneration for each director, in their capacity as such, within the statutory framework and the remuneration policy and in accordance with their individual functions and responsibilities. 16. Issue a report to the Board of Directors recommending the individual remuneration payable to each director for the performance of the executive duties assigned to him/her within the framework of the remuneration policy and in accordance with the provisions of his/her contract; 17. Ensure that any conflicts of interest do not compromise the independence of any external advice provided to the Committee. 18.- Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents including the annual report on the remuneration of the directors. In relation to the Corporate Governance and Sustainability System: 19.- Supervise compliance with the Company's corporate governance rules, also ensuring that the corporate culture is in line with the Company's purpose and values. 20. Verify compliance with the Director Diversity and Selection Policy on an annual basis and report on this matter in the Annual Corporate Governance Report. 21.- Regularly evaluate and review the Company's corporate governance system and Sustainability Policy, so that they fulfil the mission to promote the corporate interest, and they should take into account, as applicable, the legitimate interests of the other stakeholders. 22. Ensure that the Company's environmental and corporate practices are in line with the established strategy and policy; 23. Supervise and evaluate the processes for interacting with the different stakeholders. In relation to other matters: 24.- Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. 25. Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, an annual assessment report on the functioning and activities of the Committee in the previous year and an annual assessment report on the performance of the Board of Directors. 26.- Issue, on a yearly basis, a report on the functioning and activities of the Committee in the preceding year. 27.- Review whether the information on the experience and professional careers of the Company's directors included on the corporate website is sufficient and appropriate and follows the recommendations of the Spanish Code of Good Governance for Listed Companies published by the Spanish National Securities Market Commission (CNMV). 28.- Approve an annual work plan that includes, inter alia, the annual schedule of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. 29.- Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors.

#### Functioning:

The rules on the functioning of this committee are provided for in Article 12 of the Board of Directors Regulations and in Chapter V of the Nomination and Remuneration Committee Regulations, and can be summarised as follows:

The Nomination and Remuneration Committee meets on a periodic basis depending on need and, at least, three times a year. In particular, it shall meet when required by the Board of Directors. In addition, the Chairman of the Board of Directors or the Chief Executive Officer may request the Committee to hold informative meetings on an extraordinary basis.

The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The Chair of the Committee, by itself or through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.

The Committee shall be deemed to be convened when more than half of its members attend and pass its resolutions by absolute majority, either in person or by proxy. Representation may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance and agree unanimously to hold the meeting. The resolutions adopted shall be recorded by the Secretary in the related minutes, which shall be approved by the same meeting or at the immediately following meeting, and shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all the Board members.

The main activities performed by the Committee in 2021 may be grouped into the following areas:

#### a. Appointment activities

- Presentation to the Board, for submission to the General Meeting, of the proposal for the re-election of an independent director. This document was made available to shareholders on the corporate website from the time the General Meeting was called.
- Presentation to the Board of the following proposals:
  - a) In relation to the separation of the offices of Chairman and Chief Executive Officer:
    - Appointment of Mr Javier Martínez Ojinaga as Chief Executive Officer, effective 1 September 2021, with delegation of all the powers vested in the Board of Directors in accordance with the law and the Company Bylaws, with the sole exception of those that cannot be delegated in accordance with the law;
    - Resignation of Mr Andrés Arizkorreta García from the position of Chief Executive Officer and from any other executive duties he may hold at the Company and its Group, effective 1 September 2021, and his continuation in the position of non-executive Chairman of the Company as from that date.
    - Replacement of Mr Martínez Ojinaga in his position as lead independent director by Ms Ane Agirre Romarate, during the period prior to the effective date of the separation of the positions of Chairman and Chief Executive Officer (1 September 2021).

b) In relation to changes in the composition of the Audit Committee:

- Removal of Mr Javier Martínez Ojinaga as a member of the Audit Committee and appointment of Mr Ignacio Camarero García as an independent director in his stead.

b. Remuneration activities

- Submission of the proposed Director Remuneration Report for 2020 to the Board of Directors.
- Proposal to the Board of Directors on the remuneration of directors and Executive Committee members for 2021.
- Proposal to the Board on the remuneration and other contractual conditions of the new Chief Executive Officer, Mr Javier Martínez Ojinaga, for approval of the corresponding contract.
- Proposal to the Board on the allocation to the long-term savings scheme of the outgoing Chief Executive Officer and the new Chief Executive Officer.
- Analysis of the new long-term savings system to be put in place by the Company for Executive Committee members and executive directors;

c. Corporate Governance and Sustainability activities

- Review of the 2020 Sustainability Report, for its approval by the Board of Directors.
- Review of the Modern Slavery Declaration for 2020, for its approval by the Board of Directors.
- Monitoring and evaluation of the corporate governance system.
- Monitoring assessment on matters relating to sustainability;

d. Other activities

- Approval of the Report on the Functioning of the Nomination and Remuneration Committee relating to 2020.
- Proposal to the Board of Directors to amend the Nomination and Remuneration Committee Regulations in order to incorporate the new remuneration provisions introduced into the Capital Companies Act by Law 5/21, on the encouragement of long-term shareholder engagement at listed companies and other technical improvements.
- Analysis of the insurance policy for directors and executives and its update plan.
- Annual assessment of compliance with the Director Selection and Diversity Policy.
- Preparation of the Report on the Annual Performance Assessment, in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies, subject to the scope described in the following section 7.
- Approval of the Activities Plan for 2022.

e. Nomination and Remuneration Committee action plan monitoring activities

Throughout 2021, the Nomination and Remuneration Committee continued to monitor the 2021 action plans proposed in the annual self-assessment report, as approved by the Committee at its meeting of 17 December 2020, verifying satisfactory levels of compliance and fulfilment.

D.1 (continued)

At the same meeting, the Board approved the CAF Group's Related Party Transactions Manual (the "Manual"), which sets out the basic rules governing the management of the Group's related party transactions. In particular, the Manual addresses:

(i) the procedure for approving related party transactions, in accordance with the following key steps:

1. Submission of a related party transaction proposal to the Chief Economic-Financial and Strategy Officer, accompanied by the corresponding documentary justification.
  2. Analysis of the type of transaction proposed and identification of the body responsible for its approval.
- In the case of a potential related party transaction subject to approval by the Board or the Committee: relaying the justified proposal to the Audit Committee so that it may issue its report on the matter.

Relaying the proposal and the Committee's report to the Board for approval, or referring the matter to the General Meeting for a decision by shareholders, assuming the meeting is competent to decide on the matter.

- In case of delegable related party transactions: the delegated person shall assess and determine whether the objective requirements for approval of the transaction have been met. No report of the Audit Committee will be required in such cases. However, the reasons for approval or rejection of the transaction must be duly documented for the purpose of reporting to the Audit Committee as part of the periodic reporting and control procedure described in the following section.

(ii) the internal procedure for reporting and regular monitoring of delegable related party transactions, as described below:

The Chief Financial and Strategy Officer of the Company shall submit to the Audit Committee, through that committee's Secretary, a periodic report summarising the related party transactions whose approval has been delegated by the Board of Directors and which have been approved during the reporting period. This report must be issued as often as required so as to ensure that the Company complies with its legal obligations regarding related party transactions.

The report shall include at least the following:

- (i) The number of transactions sorted by type and related party;
- (ii) The following information in respect of each related party transaction: type of transaction, amount or consideration of the transaction and market price ranges for similar transactions, related party to which the transaction relates and other relevant terms of the transaction;
- (iii) Extent to which each transaction meets the requirements for approval by delegation.
- (iv) A summary of the rationale for approving each transaction, focusing on the fairness and transparency of the transactions.

The Chief Economic-Financial and Strategy Officer of the Company shall establish the necessary resources and mechanisms to ensure a permanent supply of up to date information:

- A register of proposed related party transactions.

• A record of completed related party transactions, which shall necessarily include the status of the applicable thresholds for approval and publication of related party transactions.

The Secretary of the Board shall provide the Chief Financial and Strategy Officer with a list of persons related to the directors who are to be considered related parties of the Company for the purpose of applying the rules and regulations on related party transactions. (Article 8 of the Manual on Related Party Transactions).

Intragroup transactions which, due to their characteristics, qualify as related party transactions are managed in accordance with the terms of the Manual. For the approval of Intragroup Transactions, and in relation to the subsidiaries referred to in Art. 231 bis of the Capital Companies Law, the provisions of that article shall apply.

D.2 (continued)

With regard to the conditions and requirements for approving the above transactions that were concluded prior to 3 July 2021, we would make the following clarifications: Transactions carried out prior to the date of entry into force of the amendment to the legal regime for related party transactions contained in the Capital Companies Act were approved by the Company's Chief Economic-Financial Officer or his office, in accordance with the regulations in force at that time, by virtue of the previous wording of Article 529 ter 1.h) of the Capital Companies Act and in accordance with the limits pre-established by the Board of Directors.

In addition, Note 10 to the consolidated financial statements contains a breakdown of the Group's outstanding balances with Kutxabank, including transactions carried out in previous years.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on 25/02/2021

[ 25/02/2022 ]

Indicate whether any director voted against or abstained in relation to the approval of this Report.

Yes

No

**Auditor's report on the "Information Related to the System of Internal Control Over Financial Reporting (ICFR)" of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for the year 2021**

## AUDITOR´S REPORT ON THE "INFORMATION RELATED TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

Translation of a report and information originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Board of Directors of CONTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.:

In accordance with the request from the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter the Entity) and our engagement letter dated September 30, 2021, we have performed certain procedures on the "ICFR related information" attached in section F of the Annual Corporate Governance Report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., which summarizes the internal control procedures of the Entity in relation to the annual financial information.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system as well as developing improvements to that system and preparing and establishing the content of the accompanying ICFR related information attached.

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by the Entity in relation to its annual financial information, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our audit work on the financial statements and pursuant to the Technical Auditing Standards, the sole purpose of our assessment of the entity´s internal control was to enable us to establish the nature, timing and extent of the audit procedures to be applied to the Entity´s financial statements. Therefore, our assessment of the internal control performed for the purposes of the audit of the financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively performed the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to Entity's annual financial information for 2021 described in the ICFR related information attached. Consequently, had we performed additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have come to our attention that would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements in accordance with prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for therein.

The procedures performed were as follows:

1. Read and understand the information prepared by the Entity in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the model established by CNMV Circular nº 5/2013 dated June 12, 2013 and subsequent amendments, the most recent one being CNMV Circular 3/2021 of September 28, 2021 (hereinafter, the CNMV Circulars).
2. Make enquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) Obtain an understanding of the process followed in its preparation; (ii) Obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) Obtain information on whether the control procedures described are implemented and in use by the Entity.
3. Review the explanatory documentation supporting the information described in point 1 above, which should basically include that which is provided directly to those responsible for preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes related reports prepared by the Internal Audit Department, senior management, and other internal and external experts providing support to the Audit and Compliance Committee.
4. Compare the information described in point 1 above with our knowledge of Entity's ICFR obtained as a result of performing the external audit procedures within the framework of the audit of the financial statements.
5. Read the minutes of the meetings held by the Board of Directors, Audit and Compliance Committee and other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information provided in point 1 above.
6. Obtain the representation letter related to the work performed, duly signed by the personnel in charge of preparing the information discussed in point 1 above.

As a result of the procedures performed, no inconsistencies or issues were observed that might have an impact on ICFR related information.

This report was prepared exclusively within the framework of the requirements stipulated in article 540 of the Consolidated text of the Corporate Enterprises Act and CNMV Circulars on ICFR description in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

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The original signed in Spanish

February 25, 2022